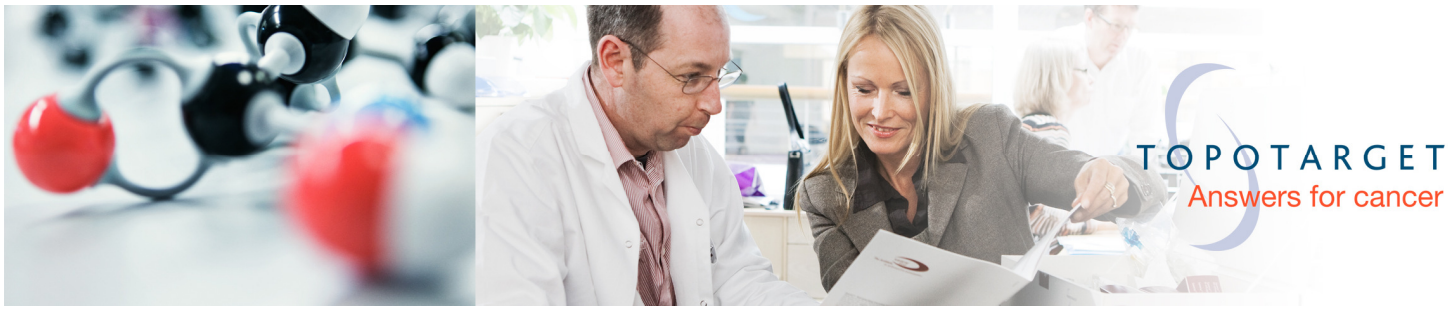

Annual Report 2008

TopoTarget A/S

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Management's review

Building on Clinical Success

Letter from the CEO

We are proud that we have substantially grown the sales of our in-house developed product Savene®/Totect®. Sales for the 2008 year were DKK 39.1 million which was almost a doubling of 2007 sales. In addition, at current sales levels the product is trading profitably in both Europe and the US. This places TopoTarget in the position of being one of the few biotech companies in the international market selling a profitable drug.

2008 was the year in which the clinical success of our most advanced product candidate belinostat was substantiated. Belinostat performed successfully with durable complete remissions in the treatment of patients with Cutaneous T-cell lymphomas (CTCL) and Peripheral T-cell lymphomas (PTCL) – and accordingly we initiated the first belinostat pivotal trial in PTCL.

In 2002, we purchased the Oxford (UK) biotech company Prolifix in order to secure belinostat for our pipeline. Belinostat was exactly the new type of drug candidate that TopoTarget was searching for with its broad activity against chemo-resistant difficult-to-treat cancer cells.

The first sign that the compound would work in the difficult setting of multi drug resistant cancer was in 2007 in heavily pre-treated patients with multiple myeloma. Similar positive results were obtained with full doses of carboplatin and paclitaxel in ovarian and bladder cancer patients with severe and difficult to treat platinum-resistant tumors. Other combinations have also demonstrated a potential, and recently scientists have published data suggesting a selective effect of TopoTarget's belinostat and 5-FU as identified by patterns of biomarkers from blood samples. Biomarkers aiming to personalize the use of belinostat will add further value to the product.

It appears that belinostat can positively complement not only chemotherapy but also a number of targeted cancer therapeutics, and the compound is currently in 17 active clinical trials. Over 600 patients have been treated in multiple cancer indications, and we believe that belinostat is one of the most promising novel target programmes to treat cancer under development.
We are proud to receive substantial support from independent experts in the development of belinostat, with more than half of our belinostat trials being fully sponsored by the National Cancer Institute (US); in these trials, TopoTarget only supplies belinostat for the patients.
In April 2008, we took a unique opportunity to buy back the global rights to the product from our American partner and I strongly believe that this successful purchase will create significant value for our shareholders.

As a consequence of our focus on belinostat and the general financial turbulence we took the decision to restructure the company to secure that we have sufficient financial resources to take us into the beginning of 2010. This resulted in a 60% reduction of our work force. While the loss of our colleagues has been distressing, on the positive side it has made us into a highly focused and lean organisation where key experts have been retained, ensuring that we can both reach our clinical development goals and grow again when circumstances allow.

I would like to thank all the patients who have participated in the initial studies of belinostat and our investors for allowing us to continue building on a valuable business. We will be proactive and strive to make TopoTarget a robust and profitable business.

We thus face the current year with confidence and look forward to enter into a value-enhancing partnering agreement on belinostat with a strong partner with the aim of financing the development of belinostat in 2010 and beyond and other key projects as financial resources allow, and help bring the company through to our ultimate aim of self sustainability.

Peter Buhl Jensen
CEO

TopoTarget A/S - Overview

- International oncology biotech company formed in 2000 by leading clinical cancer specialists and scientists
- Expertise in finding drugs that work when existing therapies fail, utilizing highly predictive in vivo and in vitro cancer model technology
- Headquartered in Copenhagen, Denmark, listed on Nasdaq OMX Copenhagen (OMX:TOPO) in 2005
- 56 dedicated employees providing international high level expertise in clinical drug development, cancer research and sales and marketing
- Savene®/Totect® is the first result on the market from TopoTarget's drug discovery technology. Savene®/Totect® is marketed by the company's own sales specialists in Europe and the US. The product is used for the prevention of tissue damage caused by extravasation accidents with chemotherapy
- Belinostat is the lead product in clinical development. First pivotal trial initiated in December 2008. Belinostat has demonstrated proof of concept as single agent in treating haematological malignancies and shown positive results in drug-resistant solid tumours where it can be used in combination with full doses of chemotherapy
- Broad clinical and preclinical pipeline of cancer drug candidates with various mechanisms of action from acquired anti-cancer drug programmes and from in-house R&D

Principal activities

TopoTarget is a biotech company dedicated to finding ''Answers for Cancer'' and developing improved cancer therapies.

TopoTarget is a fully integrated biotech company that has always been able to attract top scientists and experts from the different disciplines of drug development. During the recent rationalisation process necessitated by financial market turbulence we have been able to retain the core of dedicated key people required to fully support the development of belinostat and to maintain our prioritised projects in the pipeline.

TopoTarget's cancer experts in its medical department are, in collaboration with the National Cancer Institute (NCI), directing their efforts to developing the Company's promising lead product belinostat in 17 ongoing clinical trials.

TopoTarget's activities build on extensive knowledge of the mechanisms that cause a healthy cell to develop into a cancer cell. The company's focus has been on the identification of new drugs that work when existing therapies fail. Key targets include HDACi, NAD+, mTOR, FasLigand, HER2, and topoisomerase II inhibitors. The result of this work is a pipeline with drug candidates that target the cancer cells in different pathways and which work independently and effectively when the cells have become resistant to the existing drugs on the market.

Savene®/Totect® was approved in 2006 and 2007 in Europe and US respectively. This product was the first to come out of TopoTarget's drug discovery technology. Savene®/Totect® is for the prevention of tissue damage caused by extravasation accidents in connection with chemotherapy.

In the process of obtaining these approvals TopoTarget has built a fully integrated biotech company. We are confident that data from clinical trials with belinostat, the lead compound in our pipeline with a broad clinical and commercial potential, are so strong that belinostat will make it to the market.

Highlights of 2008

1. Promising clinical results with belinostat

Significant achievements have been seen during the continued successful development of our most advanced anti-cancer drug belinostat**.** More than 600 patients have now been treated with belinostat and the product appears safe. It has shown efficacy both as monotherapy and in combination with standard anti-cancer drugs. The limited bone marrow toxicity, and low level of other specific toxicities (e.g. diarrhoea), seen during belinostat treatment are pre-requisites for the safe development of dose-efficient active combination regimens. Multiple regimens have now been shown to be safe to advance into phase II/III development without reducing the doses of any of the included components, e.g. belinostat in combination with carboplatin and paclitaxel (BelCaP; for multiple solid tumour types), in combination with 5-FU (BelFU; for multiple solid tumour types such as breast and colon cancer), in combination with dexamethasone (BelDex; for multiple myeloma), and in combination with 5-azacitidine (BelAza; for acute myelogenous leukemia and myelodysplastic syndrome). There are ongoing studies close to finalisation evaluating full-dose schedules for combinations of belinostat with doxorubicin (BelDox), idarubicin (BelIda), and bortezomib (BelBor).

A very important achievement during 2008 was the launch of the first pivotal belinostat study after successful interactions with the FDA. Fast track designation was granted, and positive Special Protocol Assessment (SPA) received. The pivotal study includes belinostat monotherapy in patients with relapsed/refractory peripheral T-cell lymphoma, building on the positive results from an ongoing phase II study in this indication showing the potential of belinostat to eradicate this disease completely for prolonged time periods.

Equally important has been the continued extensive evaluation of the belinostat, carboplatin and paclitaxel (BelCaP) combination. Positive results have been presented from phase II evaluations in ovarian and bladder cancer. The substantial activity observed for BelCaP in especially platinum-resistant recurrent ovarian cancer supports further development of the regimen in this indication. However, based on activity noted in both phase I and II in patients with multiple different types of solid tumour diagnoses, the utility of the BelCaP regimen does not stop with ovarian cancer. During 2008, the pre-work for the launch during Q1 2009 of a randomized phase II study of BelCaP versus carboplatin/paclitaxel in patients with carcinoma of unknown primary site (CUP) has been accomplished.

Further substantiation has been obtained in the unique flexibility of belinostat that can be administered not only by 30-minute infusions, which is the most frequent use of belinostat in the studies, but also by continuous infusions of up to 48-hours and by the oral route. Additional data from prolonged belinostat infusions applied in the BelCaP regimen (3- and 6-hour infusions) in patients with solid tumours, and for 48-hours as monotherapy or in combination with idarubicin in patients with acute myelogenous leukaemia (AML) have been generated and presented. Of special note is that belinostat as a single agent can accomplish complete remission of AML when delivered by a 48-hour infusion. Further data on oral administration has also been generated, including establishment of two schedules for use in patients with solid tumours (continued delivery or days 1-14 administration in a 3-weekly schedule). We are looking forward to the finalization and presentation during 2009 of the complete very large phase I study of oral belinostat both in patients with solid tumours and lymphoma.

The NCI-sponsored part of the development of belinostat has also delivered interesting results, including early encouraging efficacy data from belinostat in combination with 5-azacitidine (BelAza) in AML where a randomized assessment now has been initiated.

Generated late in 2008, and announced beginning of 2009, important positive safety and efficacy findings from a study evaluating belinostat in combination with 5-FU (BelFU) were seen. These latter findings indicate future potentials for patient selection strategies based on biomarkers related to efficacy, and potentials for fast regulatory approaches.

2. Savene®/Totect® sales growth

Following the approval by EMEA of Savene® in 2006 and by FDA of Totect® in 2007, the sales of the product have been in line with expectations and in 2008 sales almost doubled compared with 2007. There is growing awareness of Savene® and Totect® which continues to gain increasing interest among and support from healthcare professionals. This is reflected not only in increased sales but also in the increasing amount of coverage of Savene® and Totect® in medical and nursing journals.

The following major highlights from 2008 can be mentioned:

A new international diagnosis code (ICD 9 code) was established. This is used by doctors for registering accidents involving anthracycline extravasation, which was previously not possible.

Savene® was recommended as the standard treatment of anthracycline extravasation in the new guidelines from the European Oncology Nursing Society (EONS). The guidelines offer a practical guide to extravasation management from prevention and recognition through to management strategies and advice on implementation of guidelines into clinical practice. Subsequently, the United Kingdom Oncology Nursing Society, UKONS, published their guidelines, which included Savene® in April (adopted from the EONS guidelines). In March 2009 the US Oncology Nurses (ONS) made a similar step and added Totect® to their guidelines. ONS includes 35000 nurses working in oncology.

In addition, a Phase IV post-marketing study for Totect® was accepted by the FDA (Food and Drug Administration.

To make it possible for smaller infusion centers to use Totect® and to increase product offering a two tier pricing strategy introducing a new product opportunity without replacement guaranty was launched in the US in September 2008.

3. Other important events

In addition, TopoTarget achieved a number of other clinical, financial and commercial goals in 2008. The most important of these milestones were:

- Successful buy-back of full control of belinostat, consolidating the global rights for the product in April;
- Positive results in AML with belinostat alone and with idarubicin were announced in December;
- Positive data with full dose doxorubicin in combination with full dose belinostat for solid tumours and phase I oral data were presented at the AACR/NCI/EORTC "Molecular Targets and Cancer Therapeutics" conference in October;
- Positive belinostat data in cutaneous lymphomas presented at EORTCs lymphoma meeting in September;
- Clinical activity with APO866, an NAD+ inhibitor, in CTCL and B-CLL was announced in December;
- Patent on APO010 (MegaFasligand) was allowed in the US;
- Allowance of valproic acid patent in Europe covering Avugane™.

Important events after the year end

Belinostat's on-going development assures a continuous news flow and at the beginning of January 2009 six important events have been announced that impact future strategic considerations.

- On January 6, 2009, it was announced that belinostat has moved into the randomized portion of a study in patients with acute myelogenous leukaemia/myelodysplastic syndrome. Patients will receive treatment with belinostat and 5-azacytidine (BelAza) or 5-azacytidine monotherapy. The study is sponsored by the National Cancer Institute (NCI, USA) and is described in more detail below.

- On January 8, 2009, it was announced that belinostat can be safely administered at higher doses than previously applied in the standard belinostat 30-minute day 1-5 schedule every 3 weeks. A phase I study including patients with previously untreated hepatocellular (liver) cancer sponsored by NCI has been completed and the phase II portion using belinostat as a single agent at doses of 1400 mg/m^2/day (most frequent dose previously used has been 1000 mg/m^2/day), days 1-5 every 3-weeks has started. The phase II portion of the trial has been initiated at sites in Hong Kong, Korea, Australia and the US.

- On January 19, 2009, it was announced that positive data from a phase Ib/II study of belinostat and 5-fluorouracil (5-FU) had been presented at the American Society of Clinical Oncology (ASCO) – Gastro Intestinal conference in San Francisco, USA. The final data from the study including 35 patients with previously treated solid tumours (mainly colorectal, pancreatic, and esophageal/gastric cancer), showed that belinostat (1000 mg/m^2/day, days 1-5 every 3-weeks) could be safely administered together with continuous infusion 5-FU (750 mg/m^2/24-hours for 96-hours starting day 2 of treatment cycles). An extensive central review of cardiac safety parameters during belinostat and belinostat and 5-FU (BelFU) treatment showed no clinically relevant effects of the treatments. Despite the extensive pre-treatment (median of 3 prior regimens; majority of patients treated with 2 or more FU-based regimens) 26% of patients on BelFU achieved stabilization of disease, including 6 patients with time to progression of up to 41 weeks.

- On March 3, 2009 the US Oncology Nurses published their 3.edition Chemotherapy Guidelines which includes Totect® as the only approved product for anthracycline extravasations.

- On 13 March 2009, it was announced that treatment with topical Avugane™ gel (valproic acid) 3% and 6% gave encouraging results in patients with acne vulgaris. Although the changes in the counts of the acne lesions did not reach statistically significant differences between the three treatment groups (0.5%, 3%, and 6%) in this small study, the overall assessment both by the investigators and the patients did demonstrate a trend towards more favourable effect in the 3% group.

- On 16 March 2009, it was announced that positive data from a study of belinostat given as monotherapy 1000 mg/m2/daily for 5 days every 3-weeks for the treatment of Peripheral T-Cell lymphoma (PTCL) and Cutaneous T-Cell lymphoma (CTCL) was presented at an international Lymphoma meeting in Bologna March 16-18. The data included an assessment of all treated patients, albeit preliminary since patients are still on treatment and in follow-up. The study has finalized recruitment with 53 patients treated. Initial data from this study led TopoTarget to initiate its pivotal study in PTCL in December 2008 following a Special protocol Assessment (SPA) procedure and Fast Track agreement with the FDA.

Pre-clinically it has been demonstrated that belinostat down-regulates the expression of thymidylate synthase (TS; main target for 5-FU) and that this might be the mechanism behind the synergy seen between belinostat and fluoropyrimidines (e.g. 5-FU and capecitabine) and antifolates (e.g. pemetrexed). The clinical study now confirms the down regulation of TS in tumour tissue during belinostat monotherapy in four out of four patients and in three out of four patients an up-regulation of p21 was seen (indicating a tumour cell growth arrest). In addition, belinostat impacted TS, dihydropyrimidine dehydrogenase (DPD), and p21 expression in peripheral blood cells, and a potential outcome-linked favourable pattern of these markers was found. Using these markers as a tool for selection of patients might be the basis for finding exactly those patients with the largest likelihood of effect by

treatment with belinostat in combination with fluoropyrimidines, or other drugs targeting TS (e.g. antifolates).

The findings related to the combination of belinostat with 5-FU are considered especially important since they indicate potentials for patient selection strategies related to efficacy, and potentials for fast regulatory approaches.

Financial performance – summary

For the year 2008 the Group recorded a loss after tax and before write downs of certain research and development projects of DKK 207.7 million compared to a loss of DKK 211.6 million in 2007.

In view of the activities carried out during the year, the financial performance is considered satisfactory. In addition a write down of DKK 93.5 million (2007:DKK 0 million) has been made related to certain research and development projects acquired from third parties and recognized in the balance sheet at the time of acquisition. Such write-down does not affect the group cash flow for the year 2008.

TopoTarget's cash and cash equivalents as at 31 December 2007 totalled DKK 403.6 million.

On 31 December 2008 cash and cash equivalents totalled DKK 108.0 million. The financial resources are expected to be sufficient to carry the company into the beginning of 2010.

Cancer

Facts about cancer

- Cancer represents a very large unmet medical need
- Each year, more than 11 million people around the world are diagnosed with cancer. The World Health Organisation (WHO) projects an increase to 16 million people a year over the next 15 years
- The majority of cancer patients die within a short time span. Seven million people die from cancer every year, corresponding to 13% of all deaths. WHO projects an increase to 10.1 million by 2020[1]
- Cancer is close to overtaking the position of cardiovascular diseases as the disease with the highest mortality rates in the western world
- In the western world, the most common forms of lethal cancer are prostate cancer, breast cancer, lung cancer and colorectal cancer.

Cancer biology is being deciphered
Cancer is not a single disease, rather the term designates more than 100 different diseases in different body organs, which are all caused by uninhibited and uncontrolled cell growth and with a tendency to spread into other tissue and to other parts of the body.

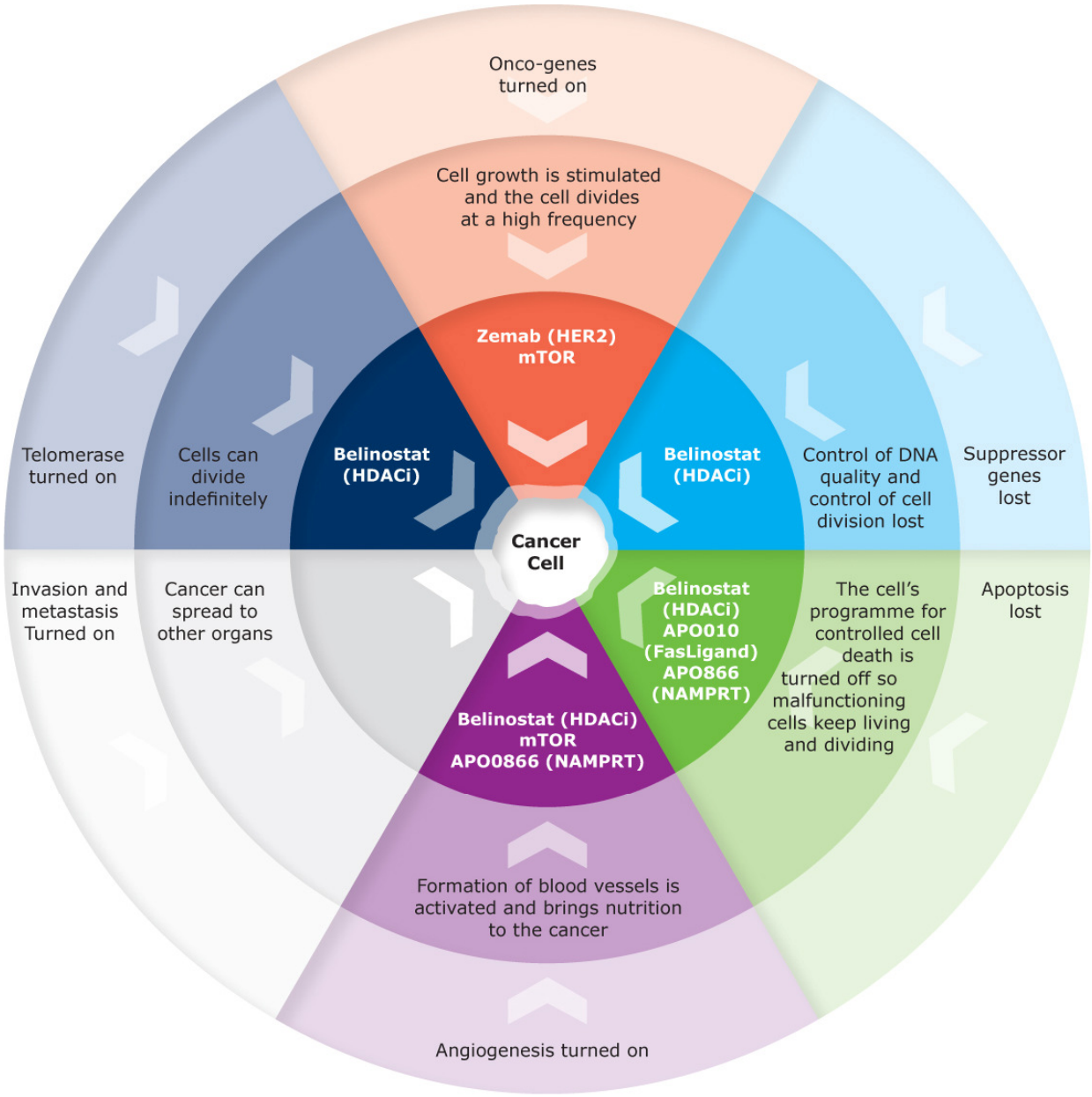
The human body is made up of billions of cells with different functions, and new cells are continuously formed through cell division to replace those that are destroyed or worn out in order for the organism to grow and stay alive. The shape, function and development of each individual cell is minutely controlled by the genes. The genes are built in accordance with a specific biological "alphabet" and constitute parts of a very long, spiral-formed molecule, the DNA (deoxyribonucleic acid) in the cell nucleus – like pages in a book containing the complete recipe for a human being. The human body has about 35,000 genes. When a cell is about to divide, the DNA molecule is packaged into 23 chromosome pairs for the combined genetic material to be passed onto the two "new" cells formed in the division.

During the last decade – and in particular since the decoding of the human genome around year 2000 – tremendous advances have been made in the understanding of the molecular mechanisms of cancer. It is currently a well-known fact that cancer occurs due to a number of accumulated changes in the cell genes, or the DNA, interrupting the natural cell processes and disturbing their balance.

In fact, it is generally acknowledged that cancer is no longer an enigma. Hallmarks of cancer are outlined below. Each of these hallmarks pursues routes for new anticancer drug development.

Definition of cancer:
A number of diseases, caused by DNA changes in body cells, making them proliferate and grow out of control, invade surrounding tissue and spread to other parts of the body through the blood and lymph system.

[1] WHO fact sheet No. 297



What happens in the cell when cancer develops?

Area	Damage	TopoTarget Drug Candidates
Onco-genes turned on	Cell growth is stimulated and the cell divides at a high frequency	**Zemab (HER2); mTOR**
Suppressor genes lost	Control of DNA quality and control of cell division lost	**Belinostat (HDACi)**
Apoptosis lost	The cell's programme for controlled cell death is turned off so malfunctioning cells keep living and dividing	**Belinostat (HDACi) APO010 (FasLigand) APO866 (NAMPRT)**
Telomerase turned on	Cells can divide indefinitely	**Belinostat (HDACi)**
Invasion and metastasis Turned on	Cancer can spread to other organs	
Angiogenesis turned on	Formation of blood vessels is activated and brings nutrition to the cancer	**Belinostat (HDACi) mTOR APO0866 (NAMPRT)**

Cancer therapy: Combining complementary drugs to achieve maximum cancer cell kill

For many years, traditional chemotherapy, so-called cytostatics, has been the most effective medical weapon against cancer and it is expected to retain this pivotal role going forward. Cancer cells are genetically unstable and have lost a number of control functions (see table and *6 Cancer hits* above), and cytostatics are effective anti-cancer drugs because they exploit these changes. Thereby, cytostatics are more toxic for the cancer cells than for healthy cells even though their effect on healthy cells causes a number of serious side effects.

Existing chemotherapeutics, however effective, seldom manage to kill all the cancer cells. The remaining cells will often continue their uninhibited growth and develop into a new cancer tumour. This tumour will be resistant to compounds from previous treatments and must therefore be treated with new types of cancer therapeutics. Consequently, there is a large need for more therapeutic options.

The greater understanding of the genetic characteristics of cancer and the resulting deeper insight into the types of DNA changes that accumulate in cancer cells has provided a number of new medical targets. This progress has opened up for developing more targeted and, sometimes, less toxic cancer therapies. These more targeted therapies are used in combinations with traditional anti-cancer drugs. These new specific cancer therapies are grouped on the basis of the six main types of DNA changes shown above.

TopoTarget's approach to developing new and improved cancer therapeutics is based on a conviction that chemotherapy and radiotherapy will remain components in cancer treatment but that these agents by themselves are inadequate because of inherited or acquired drug resistance. The result is a large need and great potential for new and improved non-cross-resistant anti-cancer drugs, and it would seem as if we are in the process of changing cancer from being an acute and fatal disease into being a chronic disease that may be controlled and inhibited for a long time.

Cancer represents the fastest growing pharmaceutical market

The strong growth in sales of cancer therapeutics witnessed within the past few years is primarily due to the launch of a number of new and specific anti-cancer drugs.

According to Bear Stearns "Oncology: Market Size, Competition and Pricing" dated September 21, 2007, the 2006 global oncology expenditure for drugs was $44 billion, up from $12 billion in 2000 and the expenditure is expected to increase to $65 billion by 2010 and $72 billion in 2012.[2]

In the years ahead, we expect to see a continuing trend towards more targeted cancer therapies and that a large number of more biologically specific cancer products will reach the market, further expanding the market for cancer therapeutics.

TopoTarget considers itself a key player in the cancer therapeutics market and expects to make a substantial contribution to the development of more effective anti-cancer drugs.

The clinical trial process

TopoTarget has allocated most of its resources to drugs in the clinical trial process. All clinical trials must be conducted by qualified investigators in accordance with GCPs regulations. Human clinical trials are typically conducted in three or sometimes four sequential phases that may overlap or be combined and are as follows:

Phase I:

The drug candidate is initially introduced into healthy human volunteer subjects or patients with the disease. These studies are designed to determine the safety and side effects associated with increasing dosages, absorption, metabolism, distribution and excretion,

[2] Bear Stearns Oncology: Market size, Competition and Pricing

pharmacologic and mechanism of action of the drug candidate in humans, and, if possible, to gain early evidence of effectiveness.

Sufficient information about a drug candidate's pharmacokinetics and pharmacological effects should
be obtained to permit the design of well-controlled, scientifically valid, Phase II studies;

Phase II:
Involves clinical studies conducted to evaluate the effectiveness of the drug candidate for a particular indication in patients with the disease or condition under study and to determine the common short-term side effects and risks associated with the drug candidate. These studies are typically closely monitored and conducted in a relatively small number of patients, usually involving no more than several hundred patients; and

Phase III:
Clinical trials are performed after preliminary evidence suggesting effectiveness of the drug candidate has been obtained, and are intended to generate additional information about the drug candidate's effectiveness and safety that is required to evaluate the overall benefit-risk relationship of the drug candidate and to provide an adequate basis for labelling. The studies may include anywhere from several hundred to several thousand subjects.

Phase IV:
Phase IV trials are undertaken after a drug has been shown to work and has been granted a license. These trials look at drugs that are already available for doctors to prescribe, rather than new drugs that are still being developed. The main reasons for running phase IV trials are to find out more about the side effects and safety of the drug, what the long term risks and benefits are and how well the drug works when it's used more widely than in clinical trials.

The phases above are the classical description of the development phase of a drug. However many varieties are practiced.

In the US companies can apply for a marketing approval for a product in pivotal phase II (i.e. classical phase II design) also referred to as development phase III if – as is the case with belinostat and the pivotal trial in PTCL - there is no approved label for a drug on market in the disease.

Marketed products

Savene®/Totect® – a topoisomerase II inhibitor for the prevention of tissue damage caused by extravasation

Savene®/Totect® is the only proven and approved antidote to anthracycline extravasation and currently there are no other drugs marketed which are indicated for the treatment of anthracycline extravasations. Savene®/Totect® was granted Orphan Drug status in Europe in 2001 and in the US in 2004. This status secures market exclusivity for ten years from approval in Europe and seven years in the US unless a more effective treatment alternative is launched.

The market for Savene®/Totect® consists of oncology and haematology clinics which are expected to carry the Savene®/Totect® kit in stock locally in the event of an extravasation accident.

Savene®/Totect® is a targeted protector, developed for the prevention of serious tissue damage caused by extravasation of anthracyclines, a type of chemotherapeutics that attack topoisomerase II. Extravasation is the accidental leakage into the surrounding tissue of chemotherapeutics being administered intravenously. Extravasation of anthracycline chemotherapeutics can cause severe and cumulative tissue necrosis including serious damage of the surrounding skin, subcutaneous tissue, muscles, and nerves. Previous therapy was limited to surgery which is traumatic, costly and has significant scarring risk. Furthermore, the

chemotherapy must be halted whilst the damage heals, a potentially life-threatening delay for patients with aggressive tumours. Savene®/Totect® has totally changed this situation.

TopoTarget has completed two Phase III and one Phase IV clinical studies of Savene®/Totect® for extravasation, demonstrating an overall 98% success rate. Savene®/Totect® must be administered as soon as possible and a least within six hours of the extravasation to be effective. Consequently, the product has been developed as a single patient emergency treatment kit which contains the full three day treatment. This kit should be available and ready to use on cancer and haematology wards that provide treatments with anthracyclines.

Savene®/Totect® is well tolerated. Adverse events registered in the clinical trials have been generally classified as mild and are known to be related to chemotherapy with anthracyclines.

Totect® and Savene® kits (Photo from the International Strategic Marketing Plan 2009)

TopoTarget's task is through scientific publications, international guidelines and continuing education, to ensure that Savene®/Totect® is known as the only evidence-based medical treatment i.e. 'good medical practice'. Savene®/Totect® has exceeded expectations in establishing the efficacy and safety in treating anthracycline extravasations with a combined clinical efficacy of 98.2% and the support from the hematology and oncology community for treating this tragic complication is outstanding.

An important focus for TopoTarget is to help institute a change in national and local guidelines which should translate into increased sales. The launch and commercial activities relating to Savene®/Totect® are progressing well and TopoTarget is continuing to build awareness of the products in the combined European and US markets.

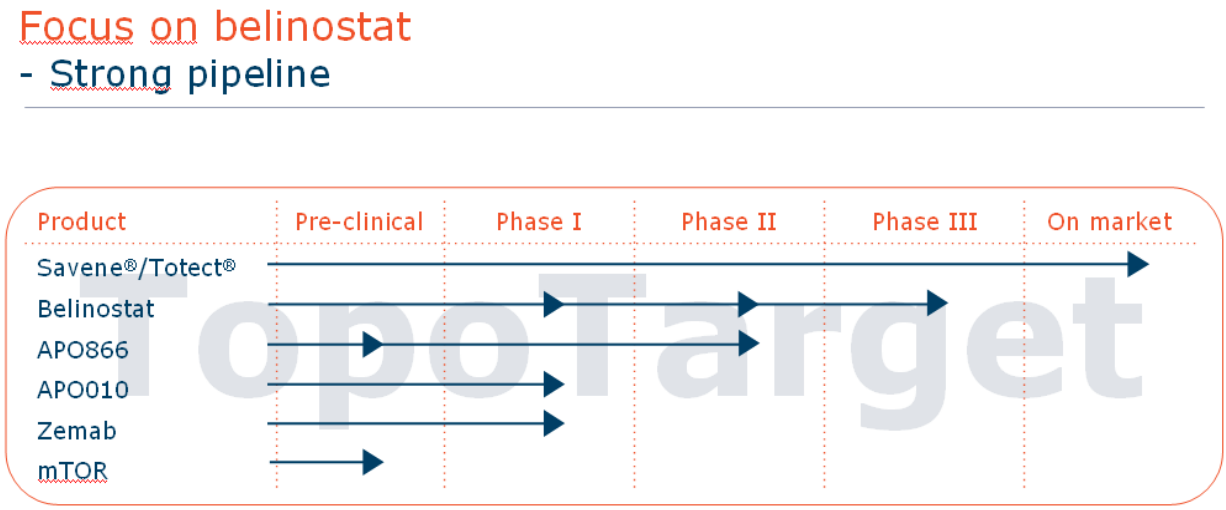
A total of 320 Savene® kits were sold in fourteen European countries and the sales for 2008 totalled DKK 20.7 million. A total of 316 Totect® kits were sold in the US for a total of DKK 18.4 million.

TopoTarget has negotiated partnership agreements and distribution agreements for certain European countries with the following European businesses who are responsible for the marketing, sale and distribution in their respective territories: a VIPharma (Greece), Grupo Ferrer (Spain and Portugal) and Adienne Pharma (Italy). The following non-European businesses are responsible for obtaining registration and for the marketing, sale and distribution of Savene® in their respective territories: BioPro (Far East) and 4G (Turkey).

Drug programmes

Clinical advancement of TopoTarget's cancer therapeutics

In addition to belinostat, TopoTarget has selected from its pipeline four promising projects as shown in the pipeline below for continued future development when financial resources allow. Three of these drug candidates are in clinical development phase whereas one is in pre-clinical phase.



TopoTarget's cancer drug candidates are in various stages of clinical testing in patients with different malignancies, and clear clinical efficacy has already been established in multiple malignant indications. Histone deacetylase inhibitors feature prominently in our pipeline. Histone deacetylases is one of the new targets for novel cancer therapies - a result of recent years' advancement in our understanding of the molecular function of cancer cells. Belinostat and valproic acid (including Savicol™, Baceca® and Avugane™) are both inhibitors of histone deacetylases

Histone deacetylase inhibitors (HDACi)

Chromatin and cell cycle control
DNA, the substance within the human cell that contains the cell's genes, or programme files, is tightly packed with a number of proteins (primarily proteins termed histones) into a compact form known as chromatin. The DNA is wrapped around the histone proteins to form structures known as nucleosomes, which in turn are compacted to form chromosomes.

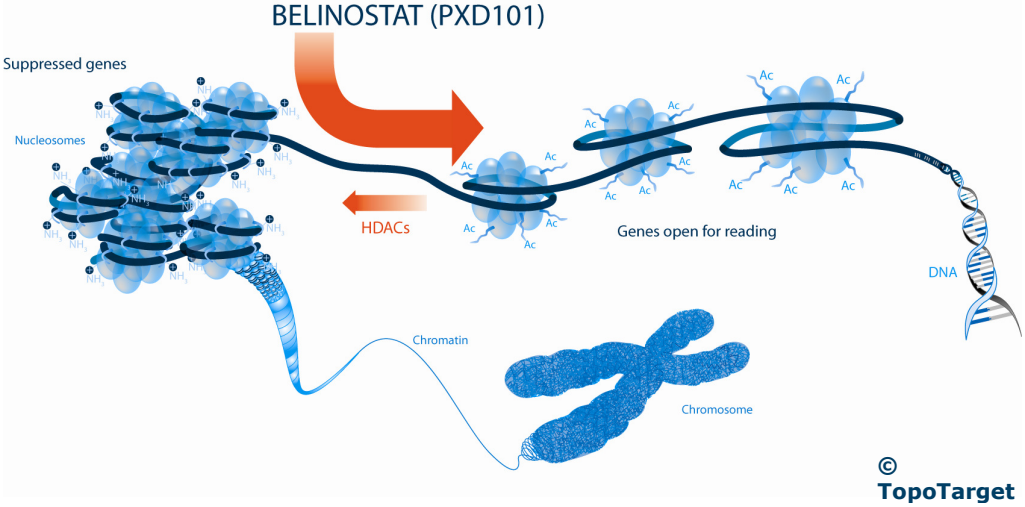
In a tightly packed form, DNA, and those genes hidden within the packed structure, are inactive. However, chemical modification of the histones may alter how tightly they are packed and, by extension, their interaction with the DNA and gene regulation and activity.

One such modification is termed histone acetylation where an acetyl group is added to the histone proteins by enzymes called histone acetylases. This modification loosens the interaction of the histones with the DNA and allows active gene expression.

Another family of enzymes, histone deacetylase enzymes (HDACs), which are especially active in cancer cells, are responsible for reversing this process, thereby turning the associated genes into an "off" position. Thus, generally, histone acetylation allows gene expression to

occur and histone deacetylation restricts gene expression. Inhibiting HDACs will promote acetylation and thus gene expression, which might lead to activity of for instance deactivated tumour suppressor genes.

In addition to acetylation, histones may also undergo other chemical modifications that control gene expression including methylation, phosphorylation and ubiquitination. By inhibiting the activity of HDACs, TopoTarget's HDACi therapeutics induce growth arrest and apoptosis (cell death) and thus halt inappropriate cell proliferation.



Belinostat

Belinostat (PXD 101) - an HDAC inhibitor for the treatment of blood malignancies and solid tumours

Belinostat is TopoTarget's lead clinical candidate and is currently in pivotal clinical development, i.e. development aimed for regulatory interactions to achieve market approvals for the compound. It is a class I and II HDAC inhibitor for the treatment of both solid tumours and haematological malignancies. Pre-clinically belinostat has shown broad anti-tumour activity, also against chemotherapy resistant cell lines from various tumour types. In addition, synergy with multiple anti-cancer drugs have been proven; e.g. platinum compounds (e.g. cisplatin, carboplatin, oxaliplatin), taxanes (e.g. paclitaxel, docetaxel), anthracyclines (e.g. doxorubicin, idarubicin), fluoropyrimidines and etiolates (e.g. 5-FU, pemetrexed), and newer targeted drugs (e.g. erlotinib, gefitinib, trastuzumab, and bortezomib).

Belinostat administered by short (30-min) or continuous (48-hours) intravenous infusion, or orally, as monotherapy or in combination with standard anti-cancer drugs is included in a development program encompassing 17 clinical studies run by TopoTarget and the National Cancer Institute (NCI), US. In the clinical development more than 600 patients have been treated with belinostat, and safe and tolerable treatment regimens for monotherapy by intravenous and oral administration have been determined. In addition, multiple combination regimens based on belinostat by intravenous route have been established as safe to bring into phase II/III development; e.g. belinostat in combination with carboplatin and paclitaxel (BelCaP; for multiple solid tumor types), in combination with 5-FU (BelFU; for multiple solid tumour types), in combination with dexamethasone (BelDex; for multiple myeloma), and in combination with 5-azacitidine (BelAza; for acute myelogenous leukemia and myelodysplastic syndrome). Ongoing studies will shortly advise on adequate schedules for combinations of belinostat with doxorubicin (BelDox), idarubicin (BelIda), and bortezomib (BelBor). Experience from the early development of belinostat, mostly including patients with advanced extensively pre-treated disease, show that anti-tumour activity by objective tumour shrinkages and unexpectedly long (i.e. longer than patients have experienced on prior treatments) tumour control can be induced in a variety of solid and haematological malignancies.

Belinostat news flow during 2008

In line with the announcement at the end of 2007, TopoTarget launched the first pivotal study using belinostat in December 2008. In June 2008 a fast track designation was granted by the US FDA for the development of belinostat monotherapy in patients with relapsed or refractory peripheral T-cell lymphoma (PTCL) after at least one prior systemic therapy. A designation that supports a rapid market entry strategy in an indication for which there thus far is no specifically approved treatment. Following the fast track designation TopoTarget in September received a positive reply from the FDA on a Special Protocol Assessment (SPA) for a pivotal study of belinostat in patients with PTCL previously treated with at least one systemic therapy. The pivotal study is a multicenter, single-arm, open label trial anticipated to enrol approximately 120 patients to be treated with belinostat 1000 mg/m^2 administered as a once daily 30-minute intravenous infusion on days 1-5 of 3-week cycles until there is disease progression or unmanageable treatment-related toxicities. On December 17, TopoTarget announced the opening of patient recruitment in the pivotal study which will be conducted mainly at clinical centres in North America and Europe.

The basis for the positive responses from FDA is the early development of belinostat establishing a safe and tolerable intravenously administered monotherapy 5-day schedule in phase I studies in patients with both solid tumours and haematological malignancies, and encouraging early efficacy of this schedule in patients with T-cell lymphoma in an ongoing initial phase II study. Preliminary results from the ongoing phase II evaluation of belinostat monotherapy in patients with recurrent or refractory peripheral (PTCL) or cutaneous T-cell lymphoma (CTCL) have been presented at two important meetings during 2008; the International Conference on Malignant Lymphoma in Lugano, Switzerland in June, and the EORTC meeting "Cutaneous Lymphomas-From the Molecule to the Clinic" in Copenhagen, Denmark, in September. Two complete responses have been demonstrated in the initial 11 evaluable patients with PTCL and four objective responses (2 complete and 2 partial) have been seen in 21 evaluable patients with CTCL. All four complete remissions induced by belinostat monotherapy are durable and still ongoing with follow-up times from 6 to 16 months. The median time to response in CTCL was only 15.5 days which is clinically relevant. Importantly, intravenous belinostat has been shown to be safe and well tolerated in pre-treated (median of 3 and 4 systemic therapies for patients with PTCL and CTCL, respectively) patients with T-cell lymphoma

Beside the pivotal T-cell lymphoma program described above the most important current development is the extensive evaluation of the belinostat, carboplatin and paclitaxel (BelCaP) combination targeted for possible regulatory activities in multiple solid tumour indications. The basis for the BelCaP development was set in a phase I study from which final results were presented at the European Society for Medical Oncology (ESMO) meeting in Stockholm, Sweden, in September 2008. The study established a BelCaP regimen including belinostat at a standard monotherapy dose (1000 mg/m^2 administered as a once daily 30-minute intravenous infusion on days 1-5 of 3-week cycles) in combination with carboplatin and paclitaxel, also at standard doses delivered on day 3 of each treatment cycle, to be safe and well-tolerated presenting a safety profile consistent of that observed with carboplatin/paclitaxel alone. Among the 23 treated patients in phase I encouraging efficacy was seen after previous extensive treatment; two partial remissions were documented in rectal and in pancreatic cancer, a complete CA125 response was seen in a patient with ovarian cancer, and multiple long stabilizations of disease, including study treatment for more than 28 treatment cycles, were noted in different tumour types (e.g. carcinoma of unknown primary site and bladder cancer).

Two phase II evaluations (ovarian and bladder cancer) of the BelCaP regimen are ongoing and preliminary data have been presented during 2008. Data on BelCaP in patients with previously treated ovarian cancer have been presented at the American Society of Clinical Oncology (ASCO) Annual Meeting in Chicago, IL, USA, in May, and in September at the Biennial Ovarian Cancer Research Symposium in Seattle, WA, USA, and at the ESMO meeting in Stockholm, Sweden. In total 35 patients with ovarian cancer who all had prior platinum-based therapy (14 and 21 patients with platinum-sensitive and platinum-resistant disease, respectively) have been treated. In the whole population overall response rate (RECIST criteria) was 43% (3 complete and 12 partial remissions) and with 11 patients censored (i.e. not having had progression) the median progression-free survival (PFS) was +5.4 months (range +0.1 to +13.9 months). Interestingly, PFS seems to be similar on BelCaP irrespective of the patients

platinum-free interval, i.e. the time elapsed since last exposure to platinum and until progression which is a time usually correlated to efficacy for standard chemotherapy drugs, but potentially not for some new targeted agents as bevacizumab (Avastin). BelCaP has been well tolerated in patients with ovarian cancer and substantial anti-tumour activity seen in patients with platinum-sensitive and platinum-resistant tumours, including patients with a platinum-free interval of less than 3 months. The current study with finished recruitment (n=35) has patients still in treatment and follow-up, but final data with adequate follow-up time is expected to become available during 2009.

Promising initial data for BelCaP in bladder cancer was presented at the AACR/NCI/EORTC "Molecular Targets and Cancer Therapeutics" conference in Geneva, Switzerland, in October 2008. Among 14 evaluable patients one complete and three partial responses were observed in patients who previously all had received platinum-based therapy. In addition, at the same conference a further safety and pharmacokinetic evaluation of BelCaP was presented assessing administration of belinostat for 3 or 6-hours instead of 30-minutes (doses of belinostat, carboplatin and paclitaxel unchanged from standard BelCaP per above). The combination of belinostat with prolonged infusion times with carboplatin and paclitaxel was well tolerated, and resulted in an increased time above a biological effective belinostat plasma concentration as compared to 30-minute infusion. Thus, the prolonged administration of belinostat might lead to improved cell kill. Prolonged infusion of belinostat is a concept which needs further evaluation in the clinic (see also below in relation to description of development in acute myelogenous leukemia).

The substantial activity observed for BelCaP in recurrent ovarian cancer supports further development of the regimen in this indication. In addition, belinostat monotherapy has shown promising activity in micropapillary/borderline (LMP) ovarian tumours in an ongoing NCI sponsored study presented at ASCO 2008. In the phase II study including patients with platinum-resistant epithelial ovarian cancer (EOC; all patients pre-treated with platinum-based therapy) and micropapillary/borderline (LMP) ovarian tumours (majority of patients pre-treated with carboplatin/paclitaxel), stabilization of disease was seen in EOC and in LMP one patient achieved a partial response and multiple patients stabilization of disease with lowered CA125 values, on belinostat monotherapy.

At the AACR/NCI/EORTC "Molecular Targets and Cancer Therapeutics" conference in October 2008 two further important belinostat studies were presented; the initial presentation of preliminary data on belinostat in combination with doxorubicin (BelDox) and an update regarding development of orally administered belinostat.

Based on strong pre-clinical synergy between belinostat and doxorubicin a phase Ib combination study was initiated and with 21 patients treated the evaluation has reached the highest intended dose-level, i.e. belinostat at standard monotherapy dose (1000 mg/m2/day during days 1-5, every 3-weeks) together with doxorubicin (75 mg/m2 day 5 of each cycle). Among 13 evaluable patients, one partial response (cervical carcinoma) and 8 stable diseases, including three patients with longer stabilizations (+5 months duration in NSCLC with 4 prior lines of therapy: 3 months duration in pancreatic cancer with 2 prior lines of therapy; 3.4 months duration in colorectal cancer with 4 prior lines of therapy) were observed. Further patient recruitment to the highest dose-level is ongoing.

Preliminary data from 85 patients treated in the solid tumour part of a large phase I study of orally administered belinostat was also presented at the AACR/NCI/EORTC-meeting. The study evaluates multiple regimens of belinostat to accommodate future different potential combination partner schedules. Data supporting the establishment of recommended doses for two schedules in patients with solid tumours, i.e. daily dosing and day 1-14 dosing in a 3-weekly regimen, were presented. Preliminary efficacy assessments indicated 10 patients having prolonged stabilizations of disease (≥4 month duration) and from a safety perspective no unexpected events were seen. The study continues recruitment to a third schedule evaluating day 1-5 dosing in a 3-weekly regimen. Of note is that the oral formulation of belinostat during the coming year is also to be tested in combination, as part of the BelCaP-regimen (utilizing intravenous day 1-3 and oral day 4-5 belinostat dosing in cycles 1-6 in combination with carboplatin/paclitaxel, and oral belinostat only days 1-14 every 3-weks as maintenance treatment after chemotherapy has been ended), in a TopoTarget sponsored

randomized phase II study in patients with solid tumours (carcinoma of unknown primary site).

Interesting new data supporting further development of belinostat in acute myelogenous leukemia (AML) and myelodysplastic syndrome (MDS) have been reported during 2008.

At ASCO, data from a NCI-sponsored evaluation of belinostat in combination with 5-azacitidine (BelAza) in AML/MDS was presented. Among 21 evaluable patients encouraging efficacy was noted, including two complete and one partial remission, four haematological improvements, and improved platelet counts at 4 weeks observed in one-third of the patients. The conclusion from the NCI-investigators included that the BelAza combination was feasible and well tolerated in full doses of both drugs. As announced January 6, 2009 (and included in this Annual Report as an important event after the balance sheet date) the study has now moved into a randomized portion enrolling additional patients with AML/MDS who will receive treatment with either 5-azacitidine alone (n=9) or BelAza (n=9). Pharmacodynamic endpoints will be evaluated to determine whether there is additive or synergistic activity of belinostat in combination with 5-azacitidine.

Initial data from a phase Ib study of belinostat either given as monotherapy or in combination with idarubicin (BelIda) for the treatment of patients with advanced AML was presented at the American Society of Hematology (ASH) annual meeting in San Francisco, CA, USA, in December 2008. The study examines two modes of administration of belinostat, the standard 5-day regimen of once daily 30-min infusions given with 3-week intervals and a regimen of continuous intravenous infusion (CIV) for 48 hours given with two week intervals. Preliminary results in 34 elderly patients (median age 69), equally divided between the two regimens, showed a good tolerance from both regimens in the dose escalation, which now has reached full belinostat dose (1000mg/m^2/day). Complete remission has so far been noted in five patients including one treated with belinostat CIV alone, one treated with CIV combination and three in the 5-day regimen of belinostat in combination with small doses of idarubicin.

In addition to the news flow described above further announcements related to belinostat have been made at the beginning of January 2009 and included in this Annual Report as important events after the balance sheet date (see above). These announcements include the initiation of the randomized portion of the NCI-sponsored study of BelAza versus 5-azacitidine as described above in this section, and also the important positive safety and efficacy findings from a study evaluating belinostat in combination with 5-FU (BelFU) and the initiation of a phase II evaluation of higher, albeit safe, belinostat monotherapy doses in patients with hepatocellular carcinoma. The findings related to the BelFU combination are considered especially important since they indicate potentials for patient selection strategies related to efficacy.

During 2009, preliminary clinical trial results from ongoing TopoTarget sponsored studies evaluating belinostat are expected to be announced, as follows:

- The pivotal trial in patients with peripheral T-cell lymphoma will recruit patients during the whole of 2009 with a pre-planned interim analyzes after 42 patients
- Initiation of randomized phase II study (BelCaP vs carboplatin/paclitaxel) in patients with carcinoma of unknown primary in Q1 2009;
- Updates of results including longer term follow-up from phase II evaluations of BelCaP in ovarian and bladder cancer at relevant conferences during 2009;
- Updates of results including all recruited patients from initial phase II evaluation of belinostat monotherapy in cutaneous and peripheral T-cell lymphoma at relevant conferences during 2009;
- Updates of results for phase I of oral belinostat in patients with solid tumours and lymphoma at relevant conferences during 2009;
- Updates of results for ongoing dose-escalation studies including belinostat in combination with anthracyclines (doxorubicin and idarubicin) in solid tumours and hematological malignancies at relevant conferences during 2009.

Importantly, it is expected that presentation of results from already ongoing, and initiation of new, NCI sponsored studies will take place during 2009.

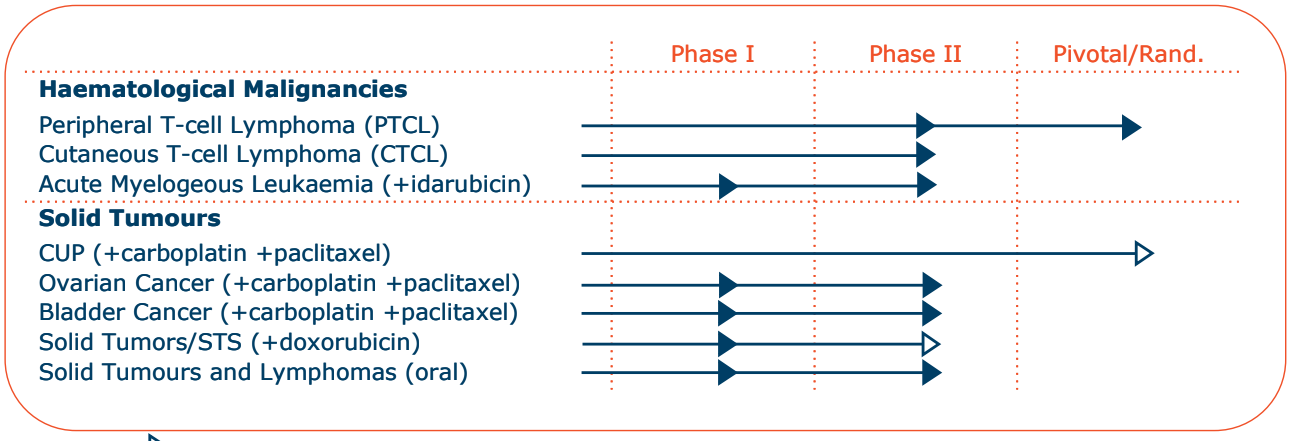
Commercial potential

Based on results from thorough pre-clinical evaluations and clinical results as indicated above and published earlier, belinostat has potential in a large number of malignant diseases such as lymphoma, multiple myeloma, leukaemia, colorectal cancer, ovarian cancer, non-small cell lung cancer (NSCLC), carcinoma of unknown primary site (CUP), pancreatic cancer, and breast cancer. As these tumour indications cover a total patient population of about 1.0 million[3] in the western world, belinostat is believed to have the potential to develop into a cancer drug that will generate substantial sales. In addition, the expectation that the compound will be suitable for combination therapy with a number of drugs already marketed by other pharmaceutical companies increases the commercial potential of belinostat.

In October 2006, Zolinza™, for the treatment of cutaneous T-cell lymphoma, was approved by the FDA as the first HDAC-inhibitor. Besides Merck & Co., Inc, a number of other companies are also involved in the development of HDAC-inhibitors for the treatment of different types of cancer. TopoTarget however, is confident belinostat has a strong competitive edge due to its diversified profile compared to competing products. Belinostat has the flexibility of multiple administration and formulation modes shown to be safe in the clinic (short and long, continuous, intravenous infusions, and oral administration), and has a positive safety profile with little bone marrow toxicity and a good cardiac profile. The limited bone marrow toxicity of belinostat is especially important for combinations with modern cytotoxic anti-cancer agents. It has already been shown that belinostat can be used in full dose in combination with several established full dose chemotherapies which is of huge importance for the commercial potential.

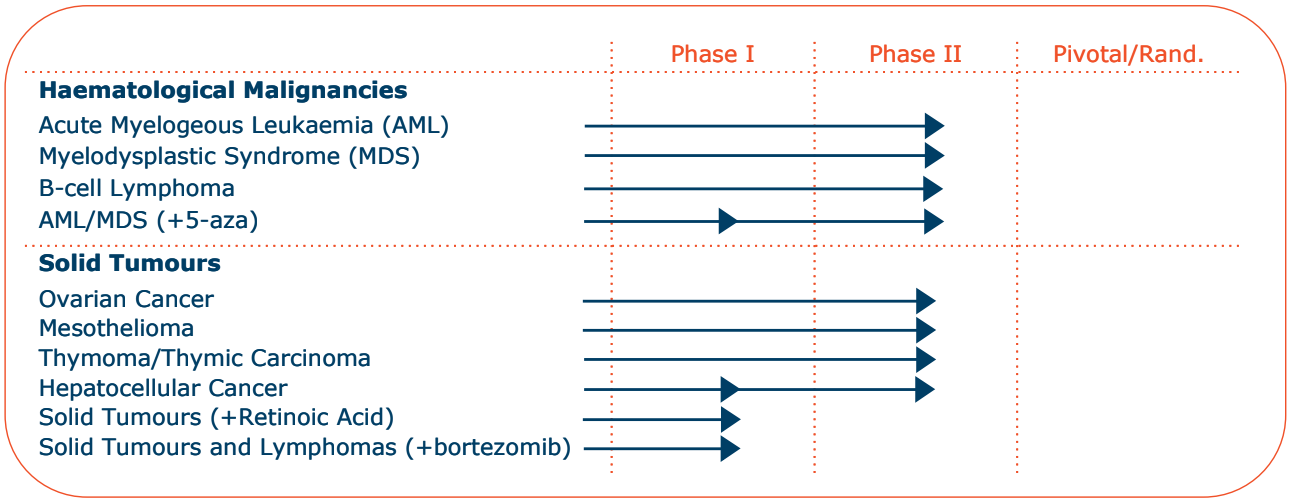
Belinostat is developed by TopoTarget and an important and broad collaboration on clinical trials with belinostat is supported and sponsored by the National Cancer Institute, USA.

Belinostat: Active TopoTarget sponsored Clinical Trial Program



[3] American Cancer Society; Cancer Statistics 2007. CANCERMondial: the Descriptive Epidemiology Group (DEP) of The International Agency for Research on Cancer (IARC)

Belinostat: Active NCI sponsored Clinical Trial Program



TopoTargets remaining pipeline

As a result of the company's focus on belinostat, other product candidates in TopoTarget's pipeline will be developed over a longer period of time, be postponed or designated as out-licensing targets.

Zemab®; a HER2 receptor drug with a toxin attached

Zemab® represents an antibody-toxin for the treatment of specific types of cancers. This recombinant protein targets the HER2 receptor, which plays a central role predominantly in the development of breast cancer, but is also believed to be involved in other cancer indications, such as head and neck cancer. Initial studies have demonstrated a reduction in tumour size in six out of ten patients after injection of Zemab® directly into HER2-positive tumours. Following the completion of a new GMP compliant production of Zemab® in which new intellectual property for the extended protection of this product could be generated, further pre-clinical experiments confirmed the high potency of the product and the clinical development is expected to take place in 2009-2010, depending upon the financial situation. TopoTarget holds a world-wide and exclusive license to develop Zemab® from Novartis Pharma, Switzerland.

Commercial potential

Therapies targeting the ErbB2 (also called HER2 or NEU) signalling pathway like Zemab® are primarily aiming at the treatment of breast cancer, but may possibly also be used for other cancers which express this antigen significantly. Therefore, the most relevant direct competing product for Zemab® is Herceptin™ (Genentech/Roche) with the difference between the two products that a cell killing toxin is additionally attached to Zemab®.
Thus, the market estimates for Zemab® may be calculated primarily for its use in breast cancer therapy. 2007 sales for the competing product Herceptin™, which is marketed for metastatic breast cancer, were USD 4.2 billion[4]. It may be expected that the development of Zemab® for the treatment of metastatic breast cancer could possibly increase overall survival of these patients with advanced stages of the disease.

4 Annual Report 2008, Roche

APO866; a first-in-class anti-cancer drug in clinical Phase II development

APO866 is a first-in-class, potent and specific inhibitor of nicotinamide phosphoribosyl transferase ("NMPRT"), a key enzyme involved in the synthesis of nicotinamide adenine dinucleotide ("NAD"). This product was licensed from Astellas, by Apoxis, in October 2005. APO866 exhibits broad antineoplastic activity in pre-clinical cancer models, including breast, prostate, colon, lung, ovary and CTCL tumours. The novel mode of action of APO866 offers the potential for combination studies with agents already in use in cancer therapy, and APO866 is therefore in pre-clinical development in combination with other chemotherapeutic compounds and with radiotherapy. A Phase I study using APO866 administered as a 96 hour continuous intravenous infusion was completed by Astellas in January 2004. Treatment was well tolerated and safe; continuous infusion at 0.126 mg/m2/hr for 96 hours in a 28 day schedule was recommended for phase II.

Among the three phase II clinical studies recruitment to the cutaneous T-cell lymphoma (CTCL) study has been slow, one out of eight evaluable patients demonstrated a clear benefit (partial remission), and the trial continues in 2009. If results are positive it is planed to test the drug in a larger phase II/III study in CTCL when financial resources allow. In the second phase II trial in melanoma none of the 21 evaluable patients showed tumour regression and the trial was stopped. In the third trial, a pilot study in patients with B-cell Chronic Lymphocytic Leukaemia (B-CLL) five out of eight evaluable patients showed a 30-40% decrease in leukemic cell counts. Although the development of APO866 presently has a lower priority than the development of belinostat this causes a delay in the clinical development.

Commercial potential
The widespread anti-tumour efficacy of APO866 noted in pre-clinical studies suggests commercial potential in multiple types of cancer. Furthermore, the novel mechanism of action of APO866 may allow combination with standard chemotherapeutic regimes, and with radiotherapy, which would further broaden the commercial opportunity. In terms of the ongoing clinical studies, CTCL is the most frequently occurring cutaneous non-Hodgkin lymphoma characterised by an indolent and protracted course of patches, plaques and tumours. The incidence of mycosis fungoides is 0.36-0.42 new patients per 100,000 populations per year and the 5-year survival of mycosis fungoides is 88%. The incidence of Sèzarys syndrome, the leukemic form of mycosis fungoides, is estimated to be 0.084 new patients per 100,000 population, with a median survival time of 9 months. B-CLL is defined as a disease of two related entities, both originating from antigen-stimulated mature B lymphocytes, which either avoid death through the intercession of external signals or die by apoptosis, only to be replenished by proliferating precursor cells. B-CLL is one of the most common types of leukemia, representing 30 per cent of all leukemias in the Western world, remains incurable, and has only limited therapeutic options available including alkylating agents and fludarabine.

APO010 – a novel protein drug in clinical Phase I development for cancer

APO010, also called mega-FasLigand, is a protein derived from the human Fas ligand (FasL) protein, a member of the TNF protein family. APO010 targets Fas receptors (also known as CD95) on the surface of cancer cells, and induces cell death via a mechanism of cell suicide termed apoptosis. The product is a recombinant fusion protein consisting of three human FasL linked to a protein backbone. Importantly, the natural trimeric form of FasL is inactive, and is only rendered active by ligand clustering at the cell surface, a situation mimicked by the structure of APO010. APO010 induces apoptosis in many tumour cell lines, with sensitivity to APO010 correlated with the expression of Fas receptor. For example, APO010 induces cell death in both multiple myeloma cell lines and primary tumour cells from multiple myeloma patients, including cells resistant to the widely used antitumour drugs doxorubicin or

melphalan. In addition, APO010 has demonstrated pre-clinical activity in several solid tumour cell lines, suggesting potential beyond multiple myeloma.

A Phase I dose-escalation study of APO010 in patients with untreatable advanced or refractory solid tumours was initiated in 2007 in order to establish the safety, tolerability and maximum tolerated dose in man using weekly intravenous bolus injection for up to four weeks. The dose escalation study is ongoing. If the clinical results confirm our expectations of the drug's potential, application will be made to the Swiss authorities to allow higher dose levels when financial resources allow. There is no competition with compounds with the same mechanism of action as that of APO010. The clinical development is expected to take place in 2009-2010, depending on the financial situation.

Commercial potential
A number of tumour cells express the FAS-receptor, e.g. breast cancer, multiple myeloma and ovarian cancer and may potentially benefit from APO010. Currently, TopoTarget expects to develop the product in multiple myeloma (MM), the second most common blood cancer in the United States that comprises approximately 1 percent of all cancers. Multiple myeloma is a haematological malignancy formed by malignant plasma cells. MM is treated by blood forming stem cell transplantation, by chemotherapy with doxorubicin, vincristine, cyclophosphamide, or with the steroid hormone dexamethasone (all generic). In recent years new targeted therapies including thalidomide derivatives (Celgene) and Velcade (Millennium/J&J) have been approved. Furthermore patients may undergo autologous hematopoietic stem cell transplantation (single or tandem) following induction therapy with chemotherapeutic drugs. In spite of these developments the large majority of these patients die from the disease. Ovarian cancer cells often have FAS receptors, and intraperitoneal cancer treatment, i.e. treatment in the peritoneal cavity, is also a likely clinical development opportunity for APO010.

Programmes for outlicensing

Baceca®; For the topical treatment of basal cell carcinoma (BCC)

Baceca® is based on a novel, patented drug formulation of the histone deacetylase inhibitor valproic acid (VPA) for the topical treatment of basal cell carcinoma, the most common form of skin cancer. TopoTarget has completed two randomised and blinded Phase II proof-of-concept trials to investigate Baceca® monotherapy and in combination with two different vitamin A like compounds for the treatment of basal cell carcinoma (BCC). Although the studies show a positive valproic acid result in BCC there is still formulation tasks to solve with this product, We are focusing on belinostat and have stopped our dermatology activities and we hope to outlisence the use of valproic acid for skin diseases

Commercial potential
BCC represents the most frequently diagnosed human cancer with approximately 0.8 million newly diagnosed patients each year in the US alone [5]. Small BCC lesions are frequently removed by being scraped and burned from the outer skin layer, while large tumours must be removed by surgery. However, there is a substantial recurrence rate. In addition to BCC, the potential therapeutic areas for Baceca® also includes hyperproliferative (involving unnaturally high cell proliferation) skin diseases, such as the pre-cancerous condition actinic keratosis.

Avugane™; For the topical treatment of acne, etc.

Avugane™ is a new, proprietary formulation of valproic acid (VPA), which is a mild HDAC inhibitor for topical treatment of inflammatory skin disorders, including acne vulgaris (common acne), psoriasis and atopic dermatitis (children's eczema or asthmatic eczema). In 2006, first data from a randomised, double-blind phase II study including 34 patients were released, showing that Avugane™ had comparable efficacy but advantageous tolerability compared with a standard, marketed retinoid therapy. TopoTarget has carried out a second randomized and placebo-controlled phase II trial to test different dose strengths of Avugane™

[5] American Cancer Society; Cancer Facts & Figures 2007; USA

for the treatment of mild to moderate acne vulgaris. In this study including 70 patients, treatment with topical Avugane™ gel (valproic acid) 3% and 6% gave encouraging results in patients with acne vulgaris. Although the changes in the counts of the acne lesions did not reach statistically significant differences between the three treatment groups (0.5, 3, and 6%) in this small study, the overall assessment both by the investigators and the patients did demonstrate a trend towards more favourable effect in the 3% group. The original protocol had the 6% Avugane™ treatment as the target treatment and it was unfortunate that stability problems prevented a study of this probably optimal concentration. However the short treatment provided to six patients with the 6% Avugane™ did show promising results particularly of the inflammatory lesions. All three grades of the Avugane™ gels were very well tolerated.

The trend in the efficacy assessment report supports a trial of a new and more stable formulation of 6% Avugane™.

Although this study supports our previous positive valproic acid results in acne there is still formulation tasks to solve with this product, We are focusing on belinostat and have stopped our dermatology activities and we hope to outlisence the use of valproic acid for skin diseases to a partner with expertise in the dermatological field.

Commercial potential
Acne vulgaris is the most common inflammatory dermatose among adolescents. Many patients fail to respond adequately to available treatments or suffer from adverse effects associated with such treatments. If Avugane™ reaches the market; patients can be offered treatment that has a new mechanism of action. The global sales of topical therapies for acne are estimated at USD 1.65 billon (DKK 9.3 billion) in 2005 and are expected to grow to annual sales of USD 1.83 billion (DKK 10.4 billion) in 2008[6]. TopoTarget intends to partner Avugane™.

Savicol™; For the treatment of Familial Adenomatous Polyposis (FAP)

Savicol™ is based on the histone deacetylase (HDAC) inhibitor valproic acid (VPA). In 2006, TopoTarget initiated a phase II study with Savicol™ for the treatment of colorectal polyps in patients with FAP (genetic predisposition to develop colorectal cancer). The study is conducted at centres in Germany, Russia and Denmark and will primarily investigate the drug's therapeutic influence on the growth and the polyp burden in the colon of approximately 60 patients. Results from this trial are delayed due to a rather slow accrual of patients with this rare disease.

Commercial potential
Familial Adenomatous Polyposis (FAP) is a hereditary disease characterised by hundreds of colorectal polyps. The prevalence of FAP is 1 in 10,000 and the disease is a predisposition to develop colorectal cancer. Savicol™ has been granted Orphan Drug status both in Europe and the US for the treatment of FAP. If the ongoing Phase II study in FAP produces positive data, TopoTarget expects to initiate studies of Savicol™ as a new treatment of colorectal cancer when the financial situation allows. FAP is a niche indication with an incidence of approximately 20,000-25,000 patients in the US and the EU.[7]

In addition, TopoTarget holds the patents covering the use of VPA in all major cancers, which is an area of great interest at the moment (there are currently approx. 20 clinical trials recruiting patients using VPA in cancer by various large institutions).

Preclinical activities and drug discovery programmes

TopoTarget carries out a streamlined programme of pre-clinical support for belinostat (PXD101), NAMPRT (APO866), Zemab® and APO010.

[6] Business insight, The Demartology Market Outlook to 2011 by Fox Analytic

[7] The Danish Polyposis Registry; see also: S.Bülow, GUT.2003 May; 52 (5):741-6

mTOR

In May 2006, TopoTarget acquired the full rights to an mTOR discovery programme from BioImage, a Danish biotech company. The programme covers a novel class of small molecules that act via the mTOR (mammalian Target of Rapamycin) signalling pathway. TopoTarget has developed a number of second generation compounds with improved anti-tumour efficacy in TopoTarget's tumour models, including pre-clinical models of breast, prostate, ovarian, and pancreatic cancer. These second generation inhibitors have been protected by novel patent applications, and are currently being evaluated with the aim of selecting a lead compound for regulatory toxicology studies. In addition, TopoTarget has initiated a number of mechanism of action studies, including collaborative efforts with several elite academic groups in order to pinpoint the exact target of the compound series within the mTOR pathway. Until further notice, no animal toxicity trials will be initiated with mTOR. This causes a delay in the clinical development. However, this delay may produce a more thorough evaluation of the most promising candidates, providing development benefits.

NAMPRT

Cancer cells have a higher energy use than normal cells. Nicotinamide dinucleotide (NAD) is an essential factor in the generation of ATP, the "gasoline" of the cell. Furthermore, NAD is a substrate for sirtuins and poly (ADP-ribose) polymerases (PARPs), which are known to be up-regulated in several cancers. The rate-limiting step in the primary synthesis pathway of NAD is catalysed by nicotinamide phosphoribosyltransferase (NAMPRT). NAMPRT is thus an attractive target for cancer treatment, and currently two inhibitors of different chemical classes, APO866 and CHS-828 have reached phase II and I respectively in clinical oncology trials. These compounds have, however, been hampered by poor pharmacokinetic properties. TopoTarget is therefore actively engaged in developing second-generation NAMPRT inhibitors with a more favourable therapeutic window and pharmacokinetics.

Paused and terminated programs

Topotect

Topoisomerase II inhibitors – DNA damage and control

A number of compounds known as "catalytic inhibitors" have demonstrated an ability to block the activity of the topoisomerase enzyme and thereby protect the cells and tissue from the effect of chemotherapy that attacks topoisomerase activity. Savene®/Totect®, already marketed by TopoTarget in Europe, builds on this technology.

A Topoisomerase II inhibitor for the treatment of brain metastases

Topotect is a topoisomerase inhibitor based on the same active compound as Savene®, and the treatment builds on the same protective principle. TopoTarget has completed Phase I/II trials in the treatment of brain tumours and brain metastases, and the company is now giving priority to developing belinostat over this project, which will be put on hold.

Commercial potential

The most common primary cancers metastasising to the brain are lung cancer (50%), breast cancer (15%-20%), unknown primary cancer (10%-15%), melanoma (10%), and colon cancer (5%)[8].

Siramesine

Preclinical studies of siramesine have been completed. The studies were conducted to determine whether TopoTarget should examine the compound as an anti-cancer therapeutic for use in humans. As siramesine did not demonstrate any anti-cancer effect in our models, TopoTarget has ended the project, returning all data and rights to Lundbeck.

[8] NCI, USA www.cancer.org

Patent strategy and status

Patent strategy

TopoTarget's patent strategy is to secure and prosecute intellectual property rights that underpin its drug discovery programmes. The Company initially seeks to file priority-generating applications in the United States, United Kingdom or Denmark prior to filing an international (PCT) application.

Patents and patent applications

A summary of the patent families relating to TopoTarget's principal patents and patent applications is set forth below.

Savene®/Totect®

The Company has been granted a second medical use patent in Europe and a method-of-use patent in the United States, which patents are due to expire on 13 March 2020, and has use patent applications pending in a number of other countries including Japan, and has been granted in Australia, Mexico, China, New Zealand, Russia, and India, covering the use of dexrazoxane and in a number of other cases also other bisdioxopiperazines in preventing tissue damage following anthracycline extravasation.

Belinostat

In the US, the TopoTarget's patent application covering belinostat and closely related compounds, compositions comprising these compounds, and methods of treatment (including treatment of proliferative conditions) employing these compounds has been granted. Two further applications have been filed; one was a continuation application filed to pursue further disclosed subject matter and has been granted. Another is a continuation application filed to pursue further disclosed subject matter and is pending and awaiting further examination. At the EPO, the application is pending and awaiting further substantive examination by the EPO. The pending claims (which cover belinostat and related compounds) correspond to the amended claims for "invention 1" that were filed during Chapter II of the international phase of the underlying international ("PCT") application and that were found to be both novel and inventive by the EPO, acting as International Preliminary Examining Authority. Claims to "invention 1.1" and "invention 2", as set out in the International Preliminary Examining Report, and also found to be both novel and inventive, can be pursued in divisional applications not yet filed. An application is also pending in Japan and a request for examination of that case has been requested. TopoTarget also has several applications covering combinations of belinostat with other chemotherapeutic agents, and an application covering a novel arginine formulation of belinostat which has been extensively nationalised. Finally provisional patent applications covering the optimised synthetic route for belinostat and prognostic biomarkers for belinostat have been filed.

2nd generation HDAC inhibitors

TopoTarget has filed compound patent applications over five additional classes of HDAC inhibitors, concerning amides, ethers and thioethers, piperazines, esters and ketones, and quinolines. The amide patent application has been granted in Europe, and is pending in other territories. The piperazine application has granted in New Zealand and Europe. The ether and thioether application has been granted in the US. The ester and ketone patent has granted in the US. Other HDAC inhibitor patent applications remain pending in major territories in the national phase.

APO866

The patent portfolio directly related to APO866 consists of four patent families licensed from Astellas and one pending application owned by TopoTarget and ULB.

The first family of licensed patents and applications concern the APO866 molecule, composition and medical uses. Patent applications were filed in the following 16 areas: Australia, Brazil, Canada, China, Czech Republic, Europe (EP), Hong Kong, Hungary, Israel, Mexico, Russia, South Africa, South Korea, Turkey and the US Patents were granted in the US, Australia, China, Czech Republic, Europe, Hong Kong, Israel, Mexico, Russia, South Africa, and South Korea. Examination is pending in the other countries. Subject to successful examination

and regular payment of the maintenance fees, the 20 year patent will expire in June 2017, before considering potential extension of scope under specific regulations if allowable, potentially up to June 2022.

The second family of licensed patents and applications concern use of molecules of the APO866 family in the treatment of tumours or for immunosuppression. Patent applications were filed in Europe, Japan and the US, with 2 patents granted in Europe and in the US. Subject to successful examination and regular payment of the maintenance fees, the 20 years patent term will expire in June 2017.

The third family of licensed patents and applications concerns use of APO866 and related molecules combined with vitamin PP compounds, such as niacine. Patent applications were filed in Europe (EP), Japan and the US with 1 patent granted in Europe. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent will expire in April 2019.

The fourth family of licensed patents and applications concern use of APO866 and related molecules as inhibitors of angiogenesis. Patent applications were filed and maintained in Japan and the US, still pending examination. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent will expire in March 2023.

A published pending application filed by TopoTarget Switzerland S.A. (formerly Apoxis S.A.) concerns use of APO866 and other inhibitors of cellular niacinamide for the treatment of inflammation such as in rheumatoid arthritis and septic shock. The application was filed in September 2006. A subsequent PCT patent application was filed. The PCT application will then enter National Phases with choice of territory by March 2009. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent term for applications to be filed will expire in September 2026.
A non-published application concerns use of APO866 and other inhibitors of niacinamide for organ ischaemia: this was filed in March 2008.
The APO866 patent estate of granted and applied for patents is sufficiently broad to encompass the product development pathway to market currently planned by TopoTarget.

APO010
Patent protection for APO010 is based on 3 patent families filed between December 1999 and January 2006.

The first family of patents and applications, referred to by TopoTarget Switzerland S.A. (formerly Apoxis S.A.) as the Megaligands patent family, concerns the APO010 molecule with claims on a composition of matter, its production and various uses including APO010 and related products. Patent applications were filed in the following 14 areas: Australia, Brazil, Canada, China, Europe (EP), Hungary, Israel, Japan, Mexico, Poland, Singapore, South Africa, South Korea and the U.S. Patents were granted in Australia, EP, China, South Korea, South Africa, Singapore, and the US. Examination is pending elsewhere. Subject to successful examination and regular payment of the maintenance fees, the 20-year patent term will protect the APO010 molecule until December 2020, before considering potential extension under specific regulations up to December 2025, if allowable.
The second family concerns a specific mode of administration of APO010 and was filed in three areas: Europe (EP), Japan and the U.S. This application has been granted in Europe. Subject to successful examination and regular payment of the maintenance fees, the 20 year patent term will protect the APO010 molecule for this specific mode of administration until May 2024.
The third patent family is a first application on a new use of APO010, where the molecule is not administered to a patient but used in a method for ex-vivo purging of cells in autologous transplantation. There is patent family which has been nationalized in: Australia, Brazil, Canada, China, Europe (EP), Israel, Japan, Mexico, Singapore, South Africa and the US. Subject to successful examination and regular payment of the maintenance fees, the 20-year patent term for applications to be filed will expire in September 2025.
The APO010 patent estate of granted and applied for patents is sufficiently broad to encompass the product development pathway to market currently planned by TopoTarget.

Zemab®
A compound patent covering the recombinant protein and its use in the treatment of cancers has been granted in all major territories, including the United States, Europe and Japan. The patents are due to expire in Europe and most other territories on 27 January 2012 and in the US on 5 November 2013 and 17 August 2016. This patent family is being administered by Novartis. An improved version of the recombinant protein has been filed by TopoTarget: this extends the effective patent life to July 2028.

Topotect
The Company has been granted a second medical use patent in Europe and a method-of-use patent in the US for the use of dexrazoxane and other bisdioxopiperazines for the prevention or treatment of damage from topoisomerase chemotherapeutics for treatment of central nervous system tumours. These patents will both expire on 10 January 2017. The company also has an application, pending in major territories claiming the synergy of cranial irradiation with dexrazoxane and anthracyclines.

Baceca® and Savicol™ (previously referred to as PEAC®)
The European Patent Office has granted a second medical use patent, the USPTO has granted a method-of-use patent, and use patent applications are pending in a number of other countries including Japan covering the use of valproic acid for the treatment of a number of different cancers including colorectal cancer and skin cancer. These patent rights are exclusively licensed to TopoTarget Germany by Georg-Speyer-Haus, and the patents will expire on 5 July 2021.
Under the licensing agreement with Georg-Speyer-Haus, the Company may have to pay royalties in the low single digits based on net sales of products which use this patent. TopoTarget also has use patent applications covering combinations of VPA with other drugs or radiation, one of which has been granted in Europe.
The Company has filed an application relating to the use of VPA for the treatment of a number of inherited conditions including FAP. This has been nationalised in major territories. If granted, these patents will expire on 23 June 2024.
TopoTarget and Desitin have a patent application relating to a specific pharmaceutical formulation of HDAC inhibitors, covering certain minitablet formulations containing VPA. TopoTarget and Desitin have nationalised this application in major territories. If granted, these patents will expire on 2 May 2025.

Avugane™
TopoTarget Germany has filed a family of applications in major territories that are also PCT member states covering the use of VPA for the treatment of a number of skin disorders, including acne, BCC, squamous cell carcinoma and psoriasis. Claims to the topical use of VPA for acne and psoriasis have been granted in Europe. These patents will expire on 23 June 2024. A further application has been filed by TopoTarget Germany, covering the use of VPA in the treatment of non-inflammatory acne: this is pending in major territories and if granted will expire in 2027.

mTOR inhibitors
A patent application covering oxindoles as inhibitors of the mTOR pathway is currently pending in major territories. Two further application claiming specific prodrugs of oxindoles and asymmetric oxindoles have also been filed.

NAMPRT inhibitors
4 classes of inhibitors of the enzyme nicotinamide phosphoribosyltransferase intended as anticancer agents have been filed.

Hsp90 inhibitors
A compound patent application covering a class of hsp90 inhibitors, primarily as anti-cancer agents, has been filed.

APO200
This fusion protein is claimed in a composition of matter application which is currently pending in the US and Europe.

Collaboration partners

Agreement with CuraGen Corporation

On 21 April 2008 TopoTarget entered into a transfer and termination agreement with CuraGen which provided for the Company and CuraGen to terminate the license and collaboration agreement which had been entered into in June 2004 and for the Company to purchase from CuraGen all of CuraGen's interests in the collaboration products and in certain other rights and assets relating to HDAC inhibitors and receive certain other licenses and rights related to HDAC inhibitors sufficient to enable the Company to carry on alone the research, development and commercialisation of HDAC inhibitors including belinostat. In consideration of such termination, purchase and grant, the Company agreed to pay CuraGen USD 26 million plus 5 million TopoTarget shares and a future commercial milestone payment of up to USD 6 million payable at the rate of 10% of the first USD 60 million of belinostat sales or partnership revenue received by TopoTarget.

In addition, also on 21 April 2008, a transition service agreement was entered into whereby CuraGen agreed to provide certain specified transition services to TopoTarget in consideration of receiving an agreed fee, to enable a smooth transition to the Company of the various development activities being undertaken by CuraGen either directly or through third party contractors.

Agreement with Astellas

On 27 October 2005, TopoTarget (then TopoTarget Switzerland S.A. (formerly Apoxis S.A.)) entered into an agreement with Astellas under which TopoTarget was granted an exclusive worldwide license to a group of chemical compounds (the lead of which TopoTarget refers to as APO866) with potential anti-cancer and immunosuppressive activity Astellas retains manufacturing rights and TopoTarget has an obligation to purchase product exclusively from Astellas. Such rights are to be assigned to TopoTarget in case Astellas wishes to discontinue manufacturing.

In consideration of the license grant, TopoTarget agreed to pay an upfront payment plus a series of development milestone payments (such milestone payments totalling a single digit number of million EUR), the first of which is payable upon receipt by Astellas of a full report of a phase II clinical trial of APO866 with data sufficient to substantiate commencement of a Phase III or pivotal phase II study. In addition, TopoTarget agreed to pay Astellas a royalty of a low double digit percentage of future net sales of Products during the term of the license.

Astellas has retained a "licence-back" option in respect of each Product in selected indications, on reasonable terms to be agreed within certain stated limits after good faith negotiations. The option is to be exercised by Astellas no later than three months after receiving full reports from TopoTarget on both the CTCL and melanoma phase II clinical trials. In addition, Astellas retains (i) the right, when executing its option, to buy-back all the licensed rights subject to good faith negotiations and reaching agreement with TopoTarget on reasonable terms to be agreed within certain pre-agreed limits; and (ii) an exclusive "right of first negotiation" should TopoTarget decide to out-licence a Product for any indication at any time.

Novartis

In 2003, TopoTarget's German subsidiary entered into an agreement with Novartis for the development of a recombinant protein which targets a common cancer antigen, ErbB2/HER2, involved in the development of malignancies such as breast cancer and head and neck tumours. The Company has exercised its option to exclusively in-license Zemab®. Under the agreement, Novartis grants TopoTarget an exclusive licence for patent rights, interest in joint patent rights, and know-how relating to Zemab®. The agreement required payments for the option, as well as an additional payment upon its exercise plus milestone payments and royalties if a product is commercialised. Novartis retains both a buy-back right up to the end of phase II and a first right of negotiation at any time.

Baylor University

Effective as of 31 January 2003, TopoTarget Switzerland S.A. (formerly Apoxis S.A.) entered into an agreement with Baylor, under which TopoTarget was granted an exclusive, sublicenseable license under certain US patents and patent applications relating to Hypohidrotic Ectodermal Dysplasia Genes and Proteins, as well as to Ectodermal Dysplasia Pathway Gene, both of which are utilised in TopoTarget' APO200 project. In consideration of the license grant TopoTarget agreed to pay an upfront payment plus a series of development

milestones payments (totalling a triple digit number of thousands of USD), the next of which is payable on the signing of an agreement with a development partner. In addition, TopoTarget agreed to pay a royalty of a low single digit percentage of future net sales of products in the U.S. utilising the licensed intellectual property.
The scope of the license extends, in the field of Ectodermal Dysplasia and artificial skin replacement, to making, having made, using, marketing, importing, selling and offering to sell all products which, but for the license granted, would infringe the above-mentioned patents and patent applications. TopoTarget has been granted, under a separate agreement with Baylor, an exclusive option to take an exclusive license under the above-mentioned patent rights in further additional fields. The exclusive option expired on 31 January 2009 and Baylor has agreed to extend it to 30 June 2009.

Mochida
Effective as of 30 October 2003, TopoTarget Switzerland S.A. (formerly Apoxis S.A.) was granted by Mochida a non-exclusive worldwide license under certain patents and patent applications to use Fas/FasL in TopoTarget' Mega technology, which is designed to engineer highly active Fas/FasL. This technology is utilised in TopoTarget' APO010 programme.
In consideration of the license grant, TopoTarget agreed to pay an upfront payment and an annual fee of a double digit number of thousand of USD plus a series of development milestones payments (totalling a triple digit number of thousands of USD), the next of which is payable on the commencement of a Phase II clinical study of a product utilising the licensed intellectual property. In addition, TopoTarget agreed to pay a royalty of a low single digit percentage of future net sales of products utilising the licensed intellectual property. Additional development milestones are payable on subsequent products utilising the licensed intellectual property.

Rigshospitalet
On 26 July 2005, TopoTarget entered into a research collaboration agreement with Rigshospitalet, Denmark, concerning research regarding Topotect for brain metastases. Under the research collaboration agreement, Rigshospitalet granted TopoTarget the right to use the laboratory facilities for research and the Company agreed to pay the costs of Ph.D. students who are supervised by employees from the Company. Rigshospitalet is entitled to a royalty of 4 per cent of any income which the Company may generate through Topotect for brain metastases, up to a maximum of DKK 10 million (EUR 1.3 million). "Income" is defined as any licence or upfront payment, milestone payments and royalty payments from licence agreements after deduction of direct costs. If the Company instead were to sell Topotect to a third party, Rigshospitalet would be entitled to 4 per cent of the net purchase sum payable to TopoTarget on such sale, up to a maximum of DKK 10 million (EUR 1.3 million).
TopoTarget has the right to conduct research at Rigshospitalet's facilities and is entitled to any inventions made during such research. However, jointly developed inventions will be shared between Rigshospitalet and the Company unless one party has contributed significantly more than the other party, in which event the rights will be allocated in accordance with the estimated contributions. Disagreements regarding the allocation are to be determined by a patent agent.

National Cancer Institute (NCI), USA
TopoTarget is party to a Clinical Trial Agreement with NCI (US) under which the NCI (US) sponsors a number of clinical trials evaluating the activity of belinostat, either alone or in combination with other anti-cancer therapies, for the treatment of solid and haematological cancers. In addition TopoTarget is also a party to a Cooperative Research and Development Agreement ("CRADA") with the NCI (US). Under the CRADA the NCI (US) and TopoTarget collaborate on conducting pre-clinical trials on belinostat in order to better understand the anti-tumour activity of belinostat and to provide supporting information for clinical trials. An additional goal is to select the best next generation of HDAC inhibitors from TopoTarget's library of HDAC inhibitors for clinical development.

Desitin
Desitin has been the development partner for the novel formulation of Savicol™ for which Desitin may receive percentage royalty payments in the low single digit range on all net

income of Savicol™. Desitin serves as the TopoTarget's manufacturing and supply partner of Savicol™ in the phase II clinical trials.

Micro Carrier Systems
Micro Carrier Systems (MCS) has been the development partner for the novel galenic formulation of Baceca® and Avugane™ for which MCS may receive certain milestone payments amounting to a maximum of EUR 200,000 and percentage royalty payments in the low single digit range on all net income of resulting products.

George-Speyer-Haus
The patent rights for using VPA in certain specified cancers, including Baceca® in skin cancer, have been in-licensed, on an exclusive basis, from the German Biomedical Research Institute Georg-Speyer-Haus. Under the licence agreement TopoTarget is obliged to pay low, single-digit percentage royalties based on net sales of future products derived from the patent.

Basic Pharma
TopoTarget has entered into a manufacture and supply agreement with Basic Pharma for the drug product supply of Baceca® and Avugane™ required in connection with the ongoing phase II trials.

a VIPharma, Grupo Ferrer and Adienne Pharma
TopoTarget has entered into distribution agreements with the following European companies who are responsible for the marketing, sale and distribution of Savene® in their respective territories: a VIPharma (Greece), Grupo Ferrer (Spain & Portugal) and Adienne Pharma (Italy).

BioPro and 4G
TopoTarget has entered into license agreements with the following companies who are responsible for obtaining registration, marketing, sale and distribution of Savene® in their respective territories: BioPro (Far East) and 4G (Turkey).

Financial highlights and ratios

DKK ' 000	2008	2007	2006	2005	2004
Financial highlights and ratios *)					
Consolidated financial highlights and ratios					
Revenue	43.890	44.890	45.730	79.039	17.702
Research and development costs	(146.906)	(129.111)	(111.843)	(69.361)	(54.271)
Write down of research and development projects	(93.500)	0	0	0	0
Sales and distribution costs	(44.796)	(57.722)	(29.668)	0	0
Operating loss	(294.370)	(219.801)	(167.903)	(43.433)	(67.602)
Net financials	(11.737)	5.754	5.438	3	(240)
Net loss for the year	(301.208)	(211.600)	(155.003)	(31.925)	(67.842)
Basic and diluted EPS	(4,68)	(3,92)	(3,76)	(1,00)	(6,08)
Consolidated balance sheets					
Cash, cash equivalents and securitied	107.998	403.617	271.610	298.279	26.559
Equity	429.376	665.068	430.650	440.451	11.101
Total assets	619.032	834.175	476.184	496.045	98.659
Investment in property, plant and equipment (net)	164	(7.965)	(6.019)	(3.654)	(3.244)
Consolidated cash flow statement					
Cash flows from operating activities	(169.544)	(208.933)	(144.558)	(43.860)	(38.035)
Cash flows from investing activities	(44.366)	25.666	116.168	(274.508)	(18.342)
Cash flow from financing activities	(499)	332.026	135.517	323.035	74.249
Consolidated ratios					
Number of fully paid shares, year end	66.304.510	61.304.510	45.684.880	39.940.391	15.935.904
Average number of shares for the period	64.323.636	53.955.186	41.260.562	31.973.878	11.152.415
Assets/equity	1,4	1,2	1,1	1,1	8,9
Market price, year end (DKK)	3,62	16,76	36,20	23,36	-
Net asset value per share (DKK)	6,48	10,85	9,43	11,03	0,70
Average number of full-time employees	109	141	98	73	50

*) The group was formed in May 2002 on the formation of TopoTarget UK Limited. Figures for 2005 include TopoTarget Germany AG from 25 February 2005 and figures for 2006 include TopoTarget USA, Inc. from 12 July 2006. The figures for 2007 also include TopoTarget Switzerland S.A. from 27 June 2007. Finally the figures for 2008 also include TopoTarget Netherlands B.V. from 1 January 2008.

Financial review

The annual report comprises the parent company TopoTarget A/S and the five wholly owned subsidiaries TopoTarget UK Ltd., TopoTarget Germany AG, TopoTarget USA Inc., TopoTarget Switzerland S.A. and TopoTarget Netherlands B.V.

Consequent to the large capital outlay ireacquiring total control over the company's lead project belinostat in April 2008 and the uncertainty generated by recent financial turbulence, TopoTarget undertook a significant restructuring of the company during the course of 2008 to ensure its existing financial resources lasted into the beginning of 2010. This resulted in a 60% reduction of our work force with the development of belinostat being the primary focus of the company and pre-clinical activities have been cut to what is required to support the belinostat clinical development and form the basis of re-growth when the company's financial situation changes. At the end of 2008 the German, UK and Swiss offices only employ a few key personnel and all pre-clinical and development activities have been centralised to Copenhagen Headquarters. At the end of the 2008 TopoTarget had 68 employees of which 12 were under notice for leaving the company.

Management is confident that during the course of 2009 it will enter into a licensing or similar type agreement in respect of its key development programme belinostat that will enable continued development of belinostat and other programmes in 2010 and beyond. Consequently TopoTarget has prepared its financial statements for 2008 on a going concern basis. Management acknowledge that there are some risks associated with this strategy which are set out under Accounting Policies in note 1 of the financial statements including in relation to the value of research and development projects acquired from third parties.

Consolidated financial statements

For the year 2008 the Group recorded a loss after tax and before write downs of certain research and development projects of DKK 207.7 million compared to a loss of DKK 211.6 million in 2007. In view of the activities carried out during the year, the financial performance is considered satisfactory. In addition a write down of DKK 93.5 million (2007:DKK 0 million) has been made related to certain research and development projects acquired from third parties and recognized in the balance sheet at the time of acquisition. Such write-down does not affect the group cash flow for the year 2008.

Consolidated income statement

Revenue in 2008 amounted to DKK 43.9 million compared with DKK 44.9 million in 2007. Revenue was impacted by the following main factors.

The sales of Savene® and Totect® in 2008 increased significantly to DKK 39.1 million compared with DKK 21.6 million in 2007.

Revenue deriving from reinvoiced research and development for third parties ceased in April 2008 on reacquiring total control over the company's lead project belinostat. As a result, revenue amounted to DKK 4.2 million in 2008 against DKK 18.4 million in 2007.

Milestone payments recognised in 2008 revenue were DKK 0.5 million compared with DKK 4.9 million in 2007.

Production costs totalled DKK 10.1 million in 2008 against DKK 25.8 million in 2007. The reduction is primarily due to the aforementioned cessation of reinvoicing in April 2008.

Research and development costs amounted to DKK 146.9 million in 2008 against DKK 129.1 million in 2007, an increase of 14%

The increase was driven by a number of factors including the fact that the ex-Apoxis (TopoTarget Switzerland S.A.) programmes are recognised for 12 months compared to only 6 months in 2007. A corresponding increase in research and development staff pushed up staff costs by DKK 5.8 million.

Write down of research and development projects acquired from third parties amounts to DKK 93.5 millions in 2008 compared to DKK 0 millions in 2007. The projects in question are primarily the topical VPA and E2F projects and some other minor projects.

The topical VPA (Avugane and Baceca) project was part of the assets acquired in the G2M (now TopoTarget Germany) purchase in 2004. As detailed in the section above under "Programmes for Out-licensing" both projects require further work in the formulation area before further progressing. They are currently available for out-licensing.

As a consequence of the reformulation work required the stage of development assumed in its valuations is amended from a phase II clinical compound to an earlier stage compound where the topical VPA is to be reformulated, increasing the percentage of active ingredient, with the goal of focusing on more severe cases of acne and also a broader use in dermatology (e.g. psoriasis) resulting in a write-down in its current book value.

The E2F project was part of the assets acquired in the Prolifix (now TopoTarget UK) purchase in 2002. As a consequence of the recent restructuring and refocusing of the Company where later stage development has taken precedence to early stage research no development work is currently budgeted to be undertaken on this project and as a consequence the current book value has been written down.

Sales and distribution costs amounted to DKK 44.8 million in 2008, a decrease from DKK 57.7 million in 2007.

TopoTarget has continued to increase sales in both the US and European markets, but now that the initial launch-phase has been completed we have also been able to reduce some overhead and marketing costs without detrimentally affecting sales. For example in the US, the company restructured sales territories which lead to a decrease in sales representatives numbers (from 10 to 6).

Administrative expenses totalled DKK 43.0 million in 2008 compared with DKK 52.0 million in 2007. Administrative expenses accounted for 18% of total costs in 2008 compared with 20% in 2007.

The reduction of DKK 9.0 million can be attributed primarily to the restructuring of internal resources in line with the company's focus on its lead projects. TopoTarget has continued its business development initiatives and communication with the equity market with a view to providing the market with optimum knowledge about the company, including pipeline development.

Financial income and expenses represented a net expense of DKK 11.7 million in 2008 against net income of DKK 5.8 million in 2007. The change was due primarily to reduction in interest income from the securities portfolio converted into more liquid assets for a more secure investment, amortisation of debt concerning expected milestone payment in relation to the acquisition of TopoTarget Switzerland S.A. and incremental costs for exchange rate adjustments due to recent turbulence in the foreign exchange market.

Income taxes amounted to a credit of DKK 4.9 million as compared with a credit of DKK 2.4 million in 2007. The tax income in 2008 consists of the reversal of deferred tax in TopoTarget Switzerland of DKK 4.4 million and the recognition of tax refunds for research and development costs in TopoTarget UK of DKK 0.5 million. In 2007 income taxes consisted of the recognition of tax refunds for research and development costs in TopoTarget UK of DKK 2.4 million.

The aforementioned changes lead to a net loss for the year 2008 of DKK 301.2 million compared to a net loss of DKK 211.6 million in 2007.

Consolidated balance sheet

Total assets amounted to DKK 619.0 million at 31 December 2008 as compared with DKK 834.2 million at 31 December 2007.

The Group's assets consist primarily of acquired research and development projects, and cash and cash equivalents, while the Group's liabilities mainly comprise equity and deferred tax concerning TopoTarget Switzerland S.A. and debt in connection with a potential milestone payment for APO866.

In the 2008 financial year, the company reacquired total control over its lead project, belinostat, for a total amount of DKK 206.6 million. The purchase price consisted of a cash payment from CuraGen, our former business partner. The consideration was agreed to comprise a cash payment of USD 26 million (approximately DKK 122.8 million), 5 million new TopoTarget shares issued in a private placement and a commercial milestone payment totalling USD 6 million (approximately DKK 28.3 million), which is defined as 10% of the first USD 60 million of belinostat sales or partnership revenues. The milestone payment is recognised as a liability in the balance sheet at the fair value at the contract date.

TopoTarget's cash and cash equivalents as at 31 December 2008 totalled DKK 108.0 million, as compared with DKK 403.6 million at 31 December 2007.

In June 2007 TopoTarget acquired the development project APO866 together with the acquisition of Apoxis S.A. The purchase price included a conditional payment (APO866 milestone) payable when certain clinical endpoints were met. At acquisition the discounted value of the APO866 milestone was included in the calculation of the purchase price. The assumption for the calculation is now changed compared to initial recognition, leading to a

reduction of the liability to DKK 59.0 million and a similar adjustment in acquired research and development projects in progress c.f. note 10.

Consolidated equity

Equity amounted to DKK 429.4 million at 31 December 2008, against DKK 665.1 million at 31 December 2007.

The change in equity consists of the capital increase in connection with the acquisition of the belinostat rights of DKK 55.5 million, and the loss for the year of DKK 301.2 million.

Also included is the DKK 10.0 million increase concerning share-based payment.

Consolidated cash flow

TopoTarget's cash flow from operating activities in 2008 was a net out-flow ("cash burn") of DKK 171.3 million (2007 DKK 208.9 million). The Company's 2008 cash flow from investing activities excluding the buying and selling of securities was an out-flow of DKK 123.7 million (compared to an inflow of DKK 10.2 million in 2007). The 2008 numbers related to an out-flow of DKK 123.6 million toward the purchase of belinostat rights. The Company's cash flow from financing activities was an out-flow of DKK 0.5 million (2007 inflow of DKK 332.0 million) – the 2007 numbers consisted mainly of a cash capital increase.

Comparing the actual financial performance with financial guidance

The Group recorded a pre-tax loss, before write down of certain research and development projects , of DKK 212.6 million in 2008 against an expected pre-tax loss in the range of DKK 195-220 million, forecast at the publication of the interim report for the third quarter of 2008.

In addition in 2008 a write down of DKK 93.5million has been made related to certain research and development projects acquired from third parties and recognized in the balance sheet at the time of acquisition. Such write-down was not included in the assumptions to the earlier guidance and does not affect the group cash flow for the year 2008. This lead to a total pre-tax loss including write down of DKK 306.1 million.

Parent company financial statements

The parent company recorded a loss of DKK 301.2 million for 2008 compared with a loss of DKK 211.6 million in 2007. For the purpose of easing the administrative burden and to improve communications with the Company's stakeholders, the parent company financial statements will effective from 2008 be presented in accordance with the provisions of the Danish Financial Statements Act instead of, as previously, IFRS. The comparative figures for 2007 have been restated accordingly. As a result of the change, investments in subsidiaries are recognized as net asset value instead of, as previously, at cost.
The parent company reported an operating loss for 2008 of DKK 128,3 million (2007: DKK 116,3 milllion loss. Investments in subsidiaries was a loss of DKK 182.4 million in 2008 compared to DKK 100.9 million the previous year.

The parent company's equity amounted to DKK 429.4 million at 31 December 2008 compared with DKK 665.1 million at the same time in 2007.

The change in equity consists of the capital increase in connection with the acquisition of the belinostat rights of DKK 55.5 million, and the loss for the year of DKK 301.2 million.

Also included is the DKK 10.0 million increase concerning share-based payment.

Outlook for 2009
The Company forecasts a pre-tax loss of approximately DKK 120 - 140 million in 2009. As in previous years the forecast includes non-cash items such as depreciation and warrant accrual costs. The lower loss relative to 2008 is due to expectations of an increase in sales and cost benefits resulting from the recent restructuring and making belinostat the primary focus of the Company. The forecast is based on management's objective of ensuring that current financial resources take it into the beginning of 2010 without any funding events such as belinostat license or capital raise. Management expects that during the course of 2009 it will bring further funds into the Company through a licensing or similar type agreement in respect of belinostat and/or some other funding event which will enable it to continue through 2010 and beyond and, when resources allow, to develop the other projects in its pipeline. Such an event will affect the Company's pre-tax loss for the year and TopoTarget will at that time amend its forecast and advise the market accordingly.

Treatment of loss
The Board of Directors proposes that the loss for the year of DKK 301.2 million be carried forward to next year.

Risk profile and management

Risk profile
The company is generally subject to the same conditions as other enterprises in the biopharmaceutical industry. Drug development is a relatively risky business involving lengthy and costly lead times for new products. There is a risk that one or more of TopoTarget's development programs will not proceed as planned for technical, scientific, commercial or financial reasons. Therefore, there is a high degree of uncertainty as many compounds will never make it through to marketing stage. The below is a summary of TopoTarget's main risk areas and a summary of how the company seeks to address these risks.

Development and scientific risks
There is generally a risk that a scientific hypothesis cannot be confirmed, that the company's technology, including cancer models, is limited in its application,that inclusion of patients in clinical trials is insufficient and that lack of efficacy and unexpected, serious adverse events are registered on a drug.

Risks related to the market
The development is influenced by the company's capability to attract relevant collaborators, by the progress of competing products and technologies and by the capability of TopoTarget to exploit market potentials

Risks related to legal requirements
TopoTarget's activities are also affected by legal requirements and changes from health authorities in several countries. Another risk is TopoTarget's ability to protect itself in potential patent lawsuits or lawsuits related to commercial rights.

Financial risks
Success of TopoTarget's activities is dependant on the company's ability to raise sufficient capital in the market and/or via collaborators.

Foreign exchange risks
TopoTarget is exposed to exchange rate changes in respect of the investment in TopoTarget UK, TopoTarget Germany and TopoTarget, US. For the time being the company will not perform currency hedging of ongoing cash flows to the subsidiaries.

Interest rate risk
The company's cash holdings consist of deposits held at call and listed securities. The total interest rate risk is insignificant relative to the company's combined operations.

Going concern risks
See Note 1 to the financial statements.

Risk management

A number of factors concerning TopoTarget and its strategies contribute to reducing the overall risks:

- The company has developed an effective technology with validated tumour models to evaluate the effect of its therapeutics on cancer diseases. TopoTarget has cross-disciplinary and complementary expert teams that continuously evaluate the results of studies with drug candidates and optimise the development process.

- TopoTarget collaborates with several scientific organisations and as a consequence of the large representation of medical expertise in the company it ensures bridge building between science and the treatment of patients.

- The company seeks to maintain a broad pipeline to increase the likelihood of obtaining marketing authorisation for its product candidates.

- Many of the drug candidates in TopoTarget's pipeline are based on repurposing of compounds already on the market but targeting other diseases. This means that some of the work involved in demonstrating the safety of the therapeutics has already been performed and approved by physicians and health authorities. Accordingly, these products are more likely to make it to market at a faster pace.

- TopoTarget markets Savene®/Totect® a product in the two most important markets, Europe and the US.

- TopoTarget is a professional organisation which at all times seeks to keep informed about and comply with every law affecting the company's activities.

TopoTarget is convinced that the company has no scientific or commercial risks beyond the common risks within the biotech field.

A full description of TopoTarget's risk profile is provided in the offering circular dated 4 June 2007, which is available from our website www.topotarget.com.

Employees and organisation

During 2008 TopoTarget undertook a restructuring consequent to the buy back of the global rights to belinostat and as a result of turbulence in capital markets. The development of belinostat became the Company's primary focus and pre-clinical activities have been cut back to the bare minimum required to support the belinostat clinical development and form the basis of re-growth when the financial situation changes.

At the end of 2008 the German, UK and Swiss offices only employ a few key personnel and all pre-clinical and development activities have been centralised to Copenhagen Headquarters.

At the end of the 2008 TopoTarget had 68 employees of which 12 were under notice. 18 employees are in sales and marketing for Savene® and Totect®.

Board of Directors

Håkan Åström (born 1947)
Chairman of the Board and board member since 2004.
Dr. Åström is the chairman of the board of directors of Ferrosan A/S, Sanos A/S, Biovitrum AB, Affibody AB and Orexo AB. He also serves on the board of directors of the Karolinska Institute. During his career, Dr. Åström has been the managing director of Travenol AB (now owned by Baxter International Inc.), Astra Pharmaceuticals Ltd, UK, and Kabi Pharmacia AB. In his most recent position, Mr Åström was Senior Vice President of Pharmacia Corp., in charge of corporate strategy and communication. Concurrently, he was managing director of Pharmacia AB, Sweden. Mr Åström holds an Honorary Doctorate in Medicine from the Sahlgrenska Academy in Gothenburg, Sweden, and a M.Sc. in Business Administration and Economics from the Stockholm School of Economics. Mr Åström served on the Board of Directors of Scandinavian Life Sciences Ventures (2001-2006) and Active Biotech AB (2001-2003).

Jesper Zeuthen (born 1947)
Board member since 2000.
Professor Zeuthen was managing director of BankInvest Biomedical Venture and seven different venture funds focusing on biotech drug development in period 2000-2009. He was previously Head of Research & Development at Novo Nordisk A/S and Head of Research at The Danish Cancer Society. Professor Zeuthen is Vice Chairman of the Danish Biotechnology Research and Innovation Centre (BRIC). He has previously been a member of the Board of Directors of Nerous Pharmaceuticals, Inc., LiPlasome Pharma A/S (Chairman), Genmab A/S (Chairman), Borean Pharma A/S (Chairman), Santaris Pharma A/S (Chairman), Zymenex Holding A/S (Chairman), Zealand Pharma A/S (Chairman) Fibrogen Europe Oy, BioVision A/S and is currently Chairman of Dandrit Biotech A/S and a member of the Board of Warren Pharmaceuticals, Inc. Professor Zeuthen is the author of more than 200 publications on immunology, cell biology and molecular biology and is an adjunct professor of biotechnology at the University of Copenhagen.

Jeffrey H. Buchalter (born 1957)
Board member since 2006.
Mr Buchalter is currently President and Chief Executive Officer of Enzon Pharmaceuticals, Inc., a US biopharmaceutical company, and serves as Chairman of Enzon's Board of Directors. Mr. Buchalter was previously President, CEO and a Board Director of Ilex Oncology, Inc. and Group Vice President and Global Head of the Worldwide Oncology Franchise at Pharmacia Corporation. During his career, Mr. Buchalter has also held positions at Wyeth and Schering-Plough Corporation. Mr. Buchalter serves as Chairman of the Board for the National Childhood Cancer Foundation. He was elected by MacroGenics, Inc. to serve as Chairman of the company's Board of Directors in September 2007. Mr. Buchalter received his B.S. in finance from Seton Hall University, and a M.B.A. in marketing from Temple University.

Anders Gersel Pedersen (born 1951)
Board member since 2001.
Dr. Pedersen is Executive Vice President, Development at H. Lundbeck A/S. Following his degree in medicine and Research Fellow positions at Copenhagen hospitals, Dr. Pedersen worked for Eli Lilly for eleven years; ten of these as a director overseeing world-wide clinical research in oncology, before joining Lundbeck in 2000. At Lundbeck, Dr. Pedersen is responsible for the development of the product pipeline including clinical and pharmaceutical research, regulatory affairs and pharmacovigilance. Dr. Pedersen received his medical degree and a doctoral degree in neuro-oncology from the University of Copenhagen and a B.Sc. in Business Administration from the Copenhagen Business School. Dr. Pedersen also serves on the Supervisory Boards of ALK-Abelló A/S and Genmab A/S (Deputy Chairman).

Ingelise Saunders (born 1949)
Board member since 2004.
Mrs Saunders is CEO of ACE BioSciences A/S and a member of the Board of ALK-Abelló A/S and Scandinavian Life Science Venture AB. For two and a half years, she was the CEO of Celltech Pharmaceuticals in UK and member of the Board of Celltech Group Plc and prior to that she held a number of top level positions during her 15 years of employment with Novo Nordisk A/S, most recently as Managing Director, Vice President, Europe. Mrs Saunders holds a degree in Pharmacy from the Royal Danish School of Pharmacy and a Bachelor of Commerce degree in Marketing.

Torbjörn Bjerke (born 1962)
Board member since 2006.
Dr. Torbjörn Bjerke became President and Chief Executive Officer of Orexo AB in November 2007. Dr Bjerke was previously President and Chief Executive Officer of Biolipox AB which was acquired by Orexo. Prior to joining Biolipox Dr. Bjerke was Executive Vice President R&D at ALK-Abelló A/S, a world leading company within allergy immunotherapy, where he was responsible for building the R&D organisation and pipeline. Prior to joining ALK-Abelló A/S, he was Head of Inflammation Pharmacology at AstraZeneca plc in Lund. In addition, Dr. Bjerke was involved in the establishment of Action Pharma A/S, a Danish biotech company, where he today is on the Board of Directors as Vice Chairman. Dr. Bjerke is also a member of the Boards of Directors of DBV Technologies, France and NeuroSearch A/S, Denmark. Dr. Bjerke holds an M.D. from Aarhus University in Denmark.

Peter Buhl Jensen (born 1955)
Board member since 2000.
Co-founder and CEO of TopoTarget. Please refer to management.

Management

Peter Buhl Jensen (born 1955)
Chief Executive Officer
Co-founder of TopoTarget. Professor. MD University of Copenhagen. Gold Medal, Specialist, internal medicine, PhD in preclinical cancer therapeutics evaluation. Dr. Jensen has more than 15 years of management experience in cancer research and translational drug development. He previously served as Chief of The Laboratory of Experimental Medical Oncology and is a Consultant Medical Oncologist at The National University Hospital, Copenhagen. Dr. Jensen is a member of the Scientific Committee of the Danish Cancer Research Fund and a member of the Danish Lung Cancer Group. He has published more than 100 papers on cancer and its treatment. Dr. Jensen has served on the Board of Directors of Affibody and he serves on the Boards of Directors of Cytoguide (Chairman), LiPlasome A/S, Vecata A/S, AntiAnthra ApS, Symbion Fonden, and Medicon Valley Alliance. Dr. Buhl Jensen has been employed with TopoTarget since its foundation in 2000. In 2007 Dr. Jensen was appointed Honorary Professor of Oncology at the University of Copenhagen.

Maxwell Sehested (born 1950)
Chief Scienticfic Officer
Dr. Sehested is a co-founder of TopoTarget, MD and board certified in pathology, with a PhD in pre-clinical cancer therapeutics in the field of multi-drug resistance. He has thus more than 20 years of experience in pre-clinical anti-cancer drug evaluation. Dr. Sehested was Chairman of The Danish Society of Pathology from 1997 until 2000, before becoming a guest researcher at the National Cancer Institute in the US from 2000 to 2001. Dr. Sehested has published over 120 scientific papers, the large majority of which are in pre-clinical cancer therapy.

Tim Corcoran (born 1953)
Chief Financial Officer
Mr. Corcoran was appointed Chief Financial Officer in 2008 and was previously Executive Vice President Corporate Affairs and Chief Operations Officer. He served as CFO of Prolifix, now TopoTarget UK Limited, from 1999. He has a law degree from Canterbury University, Christchurch, New Zealand (NZ) and practiced as a barrister and solicitor of NZ High Court. He

spent four years as General Manager of Brittco Group, the NZ commercial property and light engineering firm. He has also worked for the international firm of accountants Deloitte.

Steven Butcher (born 1959)
Chief Operating Officer
Dr. Butcher joined TopoTarget in 2006 with over 16 years experience in the pharmaceutical and biotech sector. He has a PhD in pharmacology, and was a Royal Society University Research Fellow before co-founding the Fujisawa Institute of Neurosciences, Edinburgh, UK, in 1991. Dr. Butcher joined Pharmacia and Upjohn AB in 1997 as Head of Biochemistry, and from 1998 was Director of Target Discovery for Pharmacia AB in Sweden. He joined Gemini Genomics, Cambridge, UK, in 2000 as Vice President, Research, and was Chief Scientific Officer for Synaptica (2001-2003), and then BioImage A/S (Denmark) from 2003-2006.

Jan Fagerberg (born 1962)
Medical Director
Dr. Fagerberg joined TopoTarget in November 2006 with 17 years experience from clinical oncology and global oncology drug development. Dr. Fagerberg has a MD and a PhD (immunology, and clinically applied passive and active immunotherapy in colorectal carcinomas) from the Karolinska Institute, Sweden, and is board-certified in medical oncology and radiotherapy. After ten years of practice at the Department of Oncology, Karolinska Hospital, including appointments as assistant head of the D-Section, assistant head of the Department of Radiotherapy, and chief physician with responsibility for all in-patient care, Dr Fagerberg became Medical Advisor for oncology at Roche AB, Stockholm, in 1999. From 2000 Dr Fagerberg was engaged in global oncology drug development based at F. Hoffmann-La Roche, Basel, Switzerland, and Hoffman-La Roche Inc, Nutley, NJ, USA. As Clinical Team Leader, Clinical Science Leader, and Therapeutic Area Expert (Oncology) his responsibilities were mainly related to the clinical development of capecitabine (Xeloda) and bevacizumab (Avastin).

John Parsons (born 1947)
Chief Commercial Officer and President of TopoTarget USA, Inc.
Mr. Parsons joined TopoTarget in 2006, and was named Chief Commercial Officer, with oversight for global commercial management in addition to his U.S. responsibilities. Parsons has more than 30 years experience in the pharmaceutical industry, overseeing sales, marketing, product development, strategic planning and business execution. Before joining TopoTarget, Parsons founded Parsons Strategic Associates (PSA), a strategic consulting firm focused on the emerging biotechnology industry. Prior to founding PSA, Parsons held senior management positions at Innovex, a division of Quintiles, and BASF Pharma (Knoll), where he was the commercial business leader and a member of the Executive Committee. Parsons is a graduate of Indiana University in Bloomington, Ind., and has several advanced certificates of study from the Wharton School of Business at the University of Pennsylvania.

Ulla Hald Buhl (born 1964)
Director, IR and Communications
Mrs. Buhl has held the position as Director of IR and Communications since 2006. Previously Mrs. Buhl held a position in AstraZeneca as a National Study Team Leader of oncology trials run in Denmark. Mrs. Buhl has a background as Oncology Research Nurse and a Business School diploma in Healthcare Sector Management from the CEUS School of Business. She has been employed with TopoTarget since 2001 and has formed departments in TopoTarget in the following positions: Quality Manager, International Regulatory Manager and Head of Pharmacovigilance.

Niels Laursen (born 1956)
Director Human Resources
Mr. Laursen began working for TopoTarget in 2001 as a consultant. Over the years his involvement has increased considerably and from January 2007 he joined TopoTarget on a full time basis as Director of Human Resources (HR). Mr. Laursen has a MSc in Economics and Business Administration from CBS and has over 20 years of HR experience from various companies and consultancies, including 11 years in Copenhagen Airports where he was instrumental in changing the culture from a government company to a publicly owned company aligning HR activities with the business objectives.

Sean MacDonald (born 1976)
Director Business Development
Mr. MacDonald joined TopoTarget in early 2008 bringing a decade of experience in venture capital, commercial development, and deal-making. He founded MD Biotech in 1998, a biotechnology consultancy which he merged with OTM Knowledge Services Inc. in 2000. After spending some time in marketing and market intelligence for Shire BioChem, Mr. MacDonald left to join the investment team at SGF Health Inc. where he was part of the healthcare group managing a venture capital portfolio worth over $200M USD. He joined H3 Pharma in 2002, where he headed the licensing activities for the company focusing on oncology and gastroenterology. Mr. MacDonald moved to Denmark in 2005 to join the Bioneer A/S management team as the Director of Sales and Licensing. Under his commercial leadership Bioneer achieved three years of double digit growth and profitability through a combination of product and service sales, R&D partnerships, and technology licensing.

Corporate governance

TopoTarget intends to comply with the Corporate Governance recommendations from the Nasdaq Copenhagen A/S to the extent possible as openness about the company's policies and activities will contribute to creating value and competitive strength for our business, strengthening relations with shareholders, investors, collaboration partners and employees. This annual report forms a significant part of this strategy.

The company considers the combined corporate governance rules and recommendations as a dynamic set of rules as, to the extent necessary, they should be aligned to the future needs and demands of the shareholders and the rest of the stock market and to the needs originating from TopoTarget's operations in the international markets. Communications between the company and its shareholders should be as easily comprehensible and accessible as possible, based on the use of information technology such as an informative and interactive website.

TopoTarget's shareholders, future shareholders and other stakeholders have different requirements in terms of corporate information and rely on the quality of such information. Openness and transparency are therefore pivotal for evaluating the company and its prospects. And we seek to maintain the open communication through stock announcement, investor meetings and company presentations.

As a result, the company's annual report, interim reports and other stock announcements will be available in both Danish and English. The company endeavours to ensure the timely convening of its general meetings, allowing its shareholders and others to consider the issues on the agenda for the general meeting. It is of key importance to TopoTarget that the board of directors maintains an appropriate composition so that board members with a professional background and expertise can act as a constructive, inspiring and controlling sounding board to the company's management.

Members of the board are elected for terms of one year by the shareholders at the annual general meeting upon the board's recommendations. Relevant knowledge and professional expertise are key parameters when recommending a board member.

Procedures are in place to avoid conflicts of internal board members professional duties.

Pursuant to the company's articles of association, a maximum of seven members can serve on the board. The company seeks to ensure that most of the board members are independent of special interests. TopoTarget's CEO Peter Buhl Jensen is a member of the board of directors and is not considered independent. Having the CEO as a board member is due to TopoTarget's international approach and presence in European countries and the US where the CEO in many cases is commonly a member of the board to ensure efficient coordination between the organisation and the board in setting the strategic plans and objectives for the company. The board members are evaluated by the board on a yearly basis.

Board members must retire after their 70th birthday. The board has established a formal process in evaluating management and objectives are agreed in connection with the budgeting procedure and evaluated finally at year end. The company has entered into employment agreements with the CEO and other members of the management team with termination clauses between three and 12 months. In the event of redundancy there is no agreement with management. Warrants are issued pursuant to authorization given to the board by the shareholders at a General Meeting on a yearly basis although none was issued in 2008. Warrants are usually granted to managers, employees, and board members. The exercise price, number of warrants and other terms are decided when the warrants are granted. Board members can be granted warrants because of TopoTarget's international biotech approach and presence and in order to attract and keep international and experienced board members. The exercise price is determined corresponding to the market price at the date of grant. Warrants subsequently vest after 12 months for 25% of the allocated warrants, after 24 months for another 25% of the allocated warrants, and the remaining 50% of the allocated warrants vest after 36 months.

TopoTarget has, due to its size, not formally elected a deputy chairman. The Board of Directors is, until 1 May 2010, authorized at one or more times to increase the Company's share capital by an amount up to nominal DKK 5.000.000. Capital increases according to this authorisation can be carried out by the Board of Directors by way of contributions in kind (including e.g. acquisitions of existing businesses), conversion of debt and/or cash contributions and can be carried out with or without pre-emptive subscription rights for the Company's shareholders at the discretion of the Board of Directors. Capital increases shall be carried out at market value. In regards to paragraph 48 in the Danish Public Companies Act the board allows the acquisition of the company's stock as permitted under paragraph 48 to a level of 10% of the share capital. The shares may be acquired at a price at the time of purchase equal to the market price +/- 5%. This authorisation is valid up to and including the time of the company's Annual General meeting in 2009. As part of its duties, the board of directors has set up five committees to do preparatory work for the board of directors: the Remuneration Committee, the Audit Committee, US Commercialisation and Business Committee, EU Commercialisation and Business Committee and Clinical and Regulatory Committee. Not all committee's have three members. However, committees with less than three members are not authorised to make independent decisions. The board of directors held 14 meetings, the Remuneration Committee 1 meeting and the Audit Committee 6 meetings in 2008.

Remuneration of board members and their shares and warrants in the company, including changes during the financial year:

Board member	Remuneration	Number of shares, year-end	Change in portfolio in the financial year	Number of warrants, year-end	Change in portfolio in the financial year
Håkan Åström	* EUR 50,000	17.000	0	187.000	0
Jesper Zeuthen	* EUR 35,000	0	0	15.000	0
Jeffrey Buchalter	* EUR 35,000	0	0	65.000	0
Anders Gersel Pedersen	* EUR 35,000	5.000	0	65.600	0
Ingelise Saunders	** EUR 25,000	0	0	50.600	0
Torbjørn Bjerke	** EUR 25,000	0	0	30.000	0
Peter Buhl Jensen	0	*** 739,222	43.103	324.000	0

*	Heraf EUR 20.000 for deltagelse i komiteer
**	Heraf EUR 10.000 for deltagelse i komiteer
***	Heraf EUR 10.000 for deltagelse i komiteer i USA
****	Direkte ved Peter Buhl Jensen og indirekte via AntiAnthra Aps og Buhl Krone Holding Aps

Environmental impact and ethics

TopoTarget focuses on environmental factors related to the development of drug candidates and complies with the biological and chemical rules currently in force.

In all of its activities TopoTarget also endeavours to achieve high ethical standards.

Shareholder information

TopoTarget's shares were listed on the Copenhagen Stock Exchange (now the Nasdaq OMX Copenhagen) in June 2005 under the securities/ISIN code DK0060003556 and the trading symbol TOPO. The company's Reuters symbol is TOPO.CO and its Bloomberg symbol is TOPO DC. Trading of the company's shares commenced on 10 June 2005.

The closing price for our shares on 31 December 2008 was DKK 3.62 which was a decrease of 78,4% on the company's share price of DKK 16.76 at year-end 2007.

The average daily trading volume for the company's shares in 2008 was DKK 2.2 million.

Since 1 January 2008, the company has issued a total of 5.000.000 new shares of DKK 1 nominal value in connection with the buy back of CuraGen rights for belinostat. TopoTarget carried out a capital increase on 07 May 2008, issuing 5.000.000 new shares of DKK 1 nominal value at a subscription price of DKK 11.1 each. At 31 December 2008, TopoTarget's share capital stood at DKK 66,304,510, corresponding to 66,304,510 shares of DKK 1 nominal value. The company has only one class of share and all shares have equal rights. TopoTarget's articles of association do not contain provisions on limitations of ownership or voting rights for each individual shareholder.

Ownership structure

At 31 December 2008, TopoTarget had 6.991 registered shareholders, who held 84.35% of the share capital compared to 6.356 registered shareholders at the end of 2007.

At 31 December 2008, the company's 20 largest shareholders held 55.7% of the total share capital, and the following investors have informed TopoTarget that they hold more than 5% of the shares:

- BankInvest funds
- HealthCap funds
- PKA A/S, Danske Noterede Aktier I/S, Copenhagen

IR Policy, Goals and Activities

TopoTarget A/S aims to maintain an open and continuous dialogue with existing and potential shareholders, other stakeholders and the general public. The company strives to provide transparent communication with equal access for all stakeholders and to this end, maintains a dedicated Investor and Public Relations department. With open communication, the company aims to ensure fair pricing of the company's shares in order to reflect the company's willingness to generate higher earnings to its shareholders.

In compliance with the disclosure requirements of Nasdaq OMX Copenhagen, TopoTarget A/S will publish information on the company that is deemed important to the pricing of its shares. The company will also publish quarterly reports on the company's development, including relevant financial information. TopoTarget also observes so-called 'quiet periods' before the publication of each company financial report. During these periods, the company will refrain from holding investor and analyst meetings or meetings with the media. The company maintains an insider register and will publish any changes to certain insiders' shareholdings in accordance with the rules that apply for Nasdaq OMX Copenhagen. Such publication will be made immediately after the transaction.

TopoTarget has also adopted in-house rules, which stipulate that insiders may only purchase and sell shares in the company during a period of six weeks after the company's publication of interim financial statements.

Any information published by the company will be published in full accordance with disclosure requirements under Danish law and all announcements are posted on the company's website www.topotarget.com.

We welcome all enquiries concerning TopoTarget to the Investor and Public Relations department.

Financial calendar

In 2009, TopoTarget expects to publish its financial announcements according to the following calendar:

19 March 2009	Annual report for 2008
14 May 2009	Financial report for the first quarter of 2009
19 August 2009	Financial report for the first half of 2009
19 November 2009	Financial report for the third quarter of 2009

The annual general meeting will be held on 21 April 2009 at Symbion Sciencepark, Fruebjergvej 3 DK-2100 Copenhagen Ø, Denmark.

Join the Mailing List

TopoTarget offers an e-mail subscription service for anyone interested in receiving company announcements. Subscribe via the company's website www.topotarget.com under the 'Investor and Media' section.

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Announcements and press releases

2008-12-30 15:20:29 (Financial Calendar)
TopoTarget Financial Calendar TopoTarget Publishes Financial Calendar for 2009

2008-12-22 15:05:00 (Company Announcement)
TopoTarget Company Announcement APO866 an NAD+ inhibitor shows clinical activity in CTCL + B-CLL. APO866 is selected via TopoTarget's discovery technology

2008-12-17 14:28:29 (Company Announcement)
TopoTarget Company Announcement Belinostat in its first pivotal trial in PTCL

2008-12-08 08:56:38 (Company Announcement)
TopoTarget Company Announcement Positive results in AML with belinostat and idarubicin

2008-11-12 12:31:33 (Quarterly report)
TopoTarget Quarterly report Interim report for the period 1 January to 30 September 2008

2008-10-23 12:00:35 (Company Announcement)
TopoTarget Company Announcement Positive belinostat data in cancer patients in three new applications presented at the AACR/NCI/EORTC "Molecular Targets and Cancer Therapeutics" conference 2008

2008-10-22 12:00:57 (Company Announcement)
TopoTarget Company Announcement TopoTarget annonces positive phase II data BelCaP study in bladder cancer at AACR-EORTC-NCI 2008 Conference

2008-09-15 13:03:42 (Investor News)
TopoTarget Investor News TopoTarget provides update on clinical potential and latest data on belinostat via teleconf September 17- and announces BelCaP data from ESMO

2008-09-08 09:43:22 (Company Announcement)
TopoTarget Company Announcement Positive belinostat data in cutaneous lymphomas presented at EORTCs lymphoma meeting in Copenhagen

2008-09-08 09:29:01 (Company Announcement)
TopoTarget Company Announcement BelCaP Update on positive results for ovarian cancer presented at Biennial Ovarian Cancer Research Symposium in Seattle

2008-09-05 14:02:40 (Company Announcement)
TopoTarget Company Announcement Positive SPA reply from the FDA for TopoTarget's pivotal trial with belinostat in PTCL

2008-08-19 12:23:09 (Half Year financial report)
TopoTarget Half Year financial report Interim report - six months ended 30 June 2008

2008-07-24 09:32:48 (Company Announcement)
TopoTarget Company Announcement Phase IV post marketing study results for Totect® accepted by the FDA

2008-07-09 11:42:00 (Investor News)
TopoTarget Investor News TopoTarget Present New Clinical Results with belinostat at the 33rd ESMO Congress and the 7th Biennial Ovarian Cancer Research Symposium

2008-06-19 13:19:27 (Company Announcement)
TopoTarget Company Announcement TopoTarget received detailed advice from the FDA concerning its pivotal trial with belinostat in PTCL

2008-06-06 08:07:55 (Company Announcement)
TopoTarget Company Announcement TopoTarget announces positive data from a phase II study of belinostat monotherapy

2008-06-02 15:56:25 (Changes in share capital and votes)
TopoTarget Changes in share capital and votes Number of voting rights and share capital in TopoTarget A/S as of May 31, 2008

2008-06-02 08:05:00 (Company Announcement)
TopoTarget Company Announcement TopoTarget reports new clinical data presented by NCI at the ASCO conference from Belinostat trials

2008-06-02 08:00:00 (Company Announcement)
TopoTarget Company Announcement TopoTarget reports clinical data demonstrating substantial anti-tumor activity from a Phase II trial using Belinostat, Carboplatin and Paclitaxel (BelCaP)

2008-05-23 08:33:32 (Company Announcement)
TopoTarget Company Announcement Report pursuant to the Danish Securities Trading Act, Section 28a

2008-05-22 16:27:59 (Major shareholder announcements)
TopoTarget Major shareholder announcements Major Shareholder Announcement

2008-05-22 12:57:24 (Investor News)
TopoTarget Investor News TopoTarget to Present at the BioEquity Europe 2008 Conference in Amsterdam

2008-05-16 09:13:08 (Investor News)
TopoTarget Investor News TopoTarget announces presentations of belinostat

2008-05-15 13:29:08 (Company Announcement)
TopoTarget Company Announcement TopoTarget Announces Allowance of Valproic Acid Patent in Europe covering Avugane™

2008-05-14 18:03:23 (Company Announcement)
TopoTarget Company Announcement CORRECTION: Major Shareholder Announcement May 14, 2008

2008-05-14 17:08:06 (Company Announcement)
TopoTarget Company Announcement Major Shareholder Announcement May 14, 2008

2008-05-14 12:09:31 (Quarterly report)
TopoTarget Quarterly report Interim report for the three months ended 31 March 2008

2008-05-09 09:45:55 (Investor News)
TopoTarget Investor News TopoTarget to Present at Rodman & Renshaw 5th Annual Global Healthcare Conference

2008-05-08 21:00:48 (Articles of association)
TopoTarget Articles of association Articles of Association of TopoTarget A/S

2008-05-07 15:37:08 (Changes in share capital and votes)
TopoTarget Changes in share capital and votes TopoTarget A/S issues 5,000,000 new shares to CuraGen Corporation

2008-04-22 09:02:13 (Company Announcement)
TopoTarget Company Announcement TopoTarget successfully buys back full control of Belinostat consolidating the global rights for the product

2008-04-10 18:31:57 (Company Announcement)
TopoTarget Company Announcement Passing of TopoTarget A/S Annual General Meeting

2008-04-09 16:46:06 (Company Announcement)
TopoTarget Company Announcement Major Shareholder Announcement

2008-04-02 10:08:10 (Company Announcement)
TopoTarget Company Announcement TopoTarget Announces Allowance of Valproic Acid Patent in Europe covering Savicol™

2008-03-26 10:04:22 (Notice to convene annual general meeting)
TopoTarget Notice to convene annual general meeting Notice of the Annual General Meeting

2008-03-19 19:07:39 (Company Announcement)

TopoTarget Company Announcement Major Shareholder Announcement

2008-03-18 22:53:28 (Company Announcement)
TopoTarget Company Announcement TopoTarget Repudiates Rumours

2008-03-18 13:22:12 (Investor News)
TopoTarget Investor News New International Diagnosis Code Created Following Savene®/Totect™ Approvals

2008-03-12 10:33:45 (Annual Financial Statement)
TopoTarget Financial Statement Release TopoTarget Announces Financial Results for the Year ended December 31, 2007

2008-02-26 10:16:43 (Company Announcement)
TopoTarget Company Announcement TopoTarget Announces APO010 Patent Allowed in the USA

2008-02-20 10:13:39 (Company Announcement)
TopoTarget Company Announcement TopoTarget Announces Positive Sales Growth of Savene® and Totect™ during 2007

2008-02-08 09:17:22 (Company Announcement)
TopoTarget Company Announcement TopoTarget Clarifies Status of Collaboration with LEO Pharma to ensure accurate and full information to the market

2008-01-31 09:51:41 (Investor News)
TopoTarget Investor News TopoTarget A/S to Present at the 10th Annual Bio CEO & Investor Conference in New York City

2008-01-17 11:35:06 (Financial Calendar)
TopoTarget Financial Calendar TopoTarget Publishes Financial Calendar for 2008

2008-01-14 10:13:11 (Company Announcement)
TopoTarget Company Announcement TopoTarget's Savene® Recommended Treatment for Anthracycline Extravasation by European Oncology Nursing Society

Statement by the Board of Directors and Senior Management

The Board of Directors and Senior Management today discussed and adopted the annual report for 2008 of TopoTarget A/S.

The annual report is presented in accordance with the International Financial Reporting Standards as adopted by the EU and the Danish Financial Statements Act in respect of the Parent financial statements as well asadditional Danish disclosure requirements for the annual reports of listed companies.

We consider the accounting policies to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the Parent Company´s assets, liabilities, and financial position at 31 December 2008 and of the results of the Group's and the Parent Company´s operations and cash flows for the year 2008.

In our opinion, the management's report gives a true and fair view of developments in the activities and financial position of the Group and the Parent Company, the results for the period and of the Group's and the Parent Company´s financial position in general and gives a fair description of significant risk and uncertainty factors that may affect the Group and the Parent Company.

The annual report will be submitted to the general meeting for approval.

Copenhagen, 19 March 2009

Executive Management

Peter Buhl Jensen

Board of Directors

Håkan Åström Chairman	Jesper Zeuthen	Jeffrey Buchalter
Anders Gersel Pedersen	Ingelise Saunders	Torbjörn Bjerke
Peter Buhl Jensen		

Auditors' report

Independent auditors' report

To the shareholders of TopoTarget A/S
We have audited the annual report of TopoTarget A/S for the financial year 1 January to 31 December 2008, which comprises the statement by Management on the annual report, Management's review, income statement, balance sheet, statement of changes in equity and notes, including accounting policies and cash flow statements of the Group as well as the Parent. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent financial statements have been prepared in accordance with the Danish Financial Statements Act. Furthermore, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed companies.

Management's responsibility for the annual report
Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and the Danish Financial Statements Act in respect of the Parent financial statements as well as additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's financial position at 31 December 2008 and of its financial performance and its cash flows for the financial year 1 January to 31 December 2008 in accordance with the International Financial Reporting Standards as issued by IASB and as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the annual report gives a true and fair view of the Parent's financial position at 31 December 2008 and of its financial performance and its cash flows for the financial year 1 January to 31 December 2008 in accordance with the Danish Financial Statements Act and additional Danish disclosure requirements for listed companies.

Emphasis of matter relating to the financial statements
Without qualifying our opinion we draw attention to the disclosures in the Management's review and to the Accounting policies (Note 1 to the annual report) under "Going concern statement for Annual Report 2008" in which it is stated that the Company expects its funds to suffice into the beginning of 2010. As mentioned, this is subject to risk. Management has based the presentation of the annual report on the assumption that it will be possible to mitigate such risk for which reason it has presented the annual report on a going concern basis. We have not found any grounds for taking a different view in this respect.

Without qualifying our opinion we draw attention to the disclosures in the Management's review and to the Accounting policies (Note 1 to the annual report) under "Impairment test of acquired research and development projects". It is stated that the impairment tests performed are subject to uncertainty, however, Management believes that the write-downs for impairment made are necessary and adequate and that the amounts recognised accordingly give a fair presentation. We have not found any grounds for taking a different view in this respect."

Copenhagen, 19 March 2009

Deloitte
Statsautoriseret Revisionsaktieselskab

Jørgen Holm Andersen	Jens Sejer Pedersen
State Authorised	State Authorised
Public Accountant	Public Accountant

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Annual report

Income statements

		Group		Parent	
	Note	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Revenues	2,3	43.890	44.890	28.998	35.932
Production costs	4,5	(10.082)	(25.838)	(10.100)	(15.664)
Research and development costs	4,5	(146.906)	(129.111)	(88.928)	(68.361)
Write down of research and development projects		(93.500)	0	0	0
Sales and distribution costs	4,5	(44.796)	(57.722)	(18.218)	(33.617)
Administrative expenses	4,5	(42.977)	(52.020)	(40.135)	(34.627)
Operating loss		**(294.370)**	**(219.801)**	**(128.382)**	**(116.337)**
Income after tax from investments in subsidiaries		0	0	(182.425)	(100.899)
Financial income	6	9.437	14.698	19.403	17.269
Financial expenses	7	(21.174)	(8.944)	(9.804)	(11.633)
Loss before tax		**(306.107)**	**(214.047)**	**(301.208)**	**(211.600)**
Tax on profit/(loss) for the year	8	4.899	2.447	0	0
Net loss for the year		**(301.208)**	**(211.600)**	**(301.208)**	**(211.600)**
Basic and diluted EPS (DKK)	9	(4,68)	(3,92)	(4,68)	(3,92)

Balance sheet - Assets

		Group		Parent	
	Note	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Acquired research- and development projects		467.381	370.639	232.253	24.477
Intangible assets	4,10	**467.381**	**370.639**	**232.253**	**24.477**
Other fixtures and fittings, tools and equipment		12.094	18.415	9.179	12.411
Property, plant and equipment	4,11	**12.094**	**18.415**	**9.179**	**12.411**
Investment in subsidiaries		0	0	76.900	234.900
Receivables from subsidiaries		0	0	118.414	82.659
Other receivables		1.923	1.657	1.603	1.472
Non-current investments	12	**1.923**	**1.657**	**196.917**	**319.031**
Non-current assets		**481.398**	**390.711**	**438.349**	**355.919**
Inventories - raw materials		1.564	1.150	1.564	1.150
Inventories - saleable goods		1.002	2.160	1.002	2.160
Inventories		**2.566**	**3.310**	**2.566**	**3.310**
Trade receivables	13	13.040	16.490	6.229	8.489
Other receivables		6.704	4.838	6.630	4.149
Income taxes receivable		4.401	7.447	0	0
Prepayments		2.925	7.762	2.502	5.470
Receivables		**27.070**	**36.537**	**15.361**	**18.108**
Securities	14	**35.295**	**116.505**	**35.295**	**116.505**
Cash and cash equivalents		**72.703**	**287.112**	**60.205**	**265.630**
Current assets		**137.634**	**443.464**	**113.427**	**403.553**
Assets		**619.032**	**834.175**	**551.776**	**759.472**

Balance sheet - equity and liabilities

	Note	Group 2008 DKK ' 000	Group 2007 DKK ' 000	Parent 2008 DKK ' 000	Parent 2007 DKK ' 000
Share capital	15	66.304	61.304	66.304	61.304
Share-based payments	16	27.347	17.332	27.347	17.332
Retained earnings		335.725	586.432	335.725	586.432
Equity		**429.376**	**665.068**	**429.376**	**665.068**
Deferred income tax	8	46.095	45.741	0	0
Lease commitments	19	0	315	0	315
Deferred income	17	761	2.599	0	0
Other payables	21	59.019	0	59.019	0
Non-current liabilities		**105.875**	**48.655**	**59.019**	**315**
Lease commitments	19	315	499	315	499
Trade payables		42.811	38.256	28.469	20.815
Other payables	21	40.655	75.612	34.596	72.775
Deferred income	20	0	6.085	0	0
Current liabilities		**83.781**	**120.452**	**63.381**	**94.089**
Liabilities		**189.656**	**169.107**	**122.400**	**94.404**
Equity and liabilities		**619.032**	**834.175**	**551.776**	**759.472**

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Cash flow statements

	Note	Group 2008 DKK ' 000	Group 2007 DKK ' 000	Parent 2008 DKK ' 000	Parent 2007 DKK ' 000
Operating loss		(294.370)	(219.801)	(128.383)	(116.338)
Reversal of share-based payments		10.015	6.862	7.727	5.115
Reversal of pension commitments		(1.838)	0	0	0
Depreciation, amortisation and impairment losses		101.438	7.331	5.502	5.404
		0	0	0	0
Working capital changes	26	9.191	(12.799)	11.481	(9.579)
Cash flows from operating activities before interest		**(175.564)**	**(218.407)**	**(103.673)**	**(115.398)**
Interest income etc. received		15.533	12.774	9.926	15.345
Interest expenses etc. paid		(11.436)	(3.300)	(65)	(6.561)
Refunded income taxes		1.922	0	0	0
Cash flows from operating activities		**(169.544)**	**(208.933)**	**(93.812)**	**(106.614)**
Purchase of intangible assets		(125.474)	(4.451)	(125.474)	0
Purchase of property, plant and equipment		(1.158)	(8.577)	(770)	(7.151)
Sale of property, plant and equipment		1.322	612	0	356
Acquisition of subsidiary net of cash	25	0	23.127	0	(4.458)
Change of loan to subsidiary		0	0	(65.948)	(88.218)
Purchase of investments		(266)	(510)	(131)	(336)
Purchase of securities		(84.420)	(44.051)	(84.420)	(44.051)
Sale of securities		165.630	59.516	165.630	59.516
Cash flow from investing activities		**(44.366)**	**25.666**	**(111.113)**	**(84.342)**
Instalment on loans		(499)	(476)	(499)	(476)
Proceeds from the issuance of shares	28	0	332.502	0	332.502
Cash flows from financing activities		**(499)**	**332.026**	**(499)**	**332.026**
Increase/decrease in cash and cash equivalents		(214.409)	148.759	(205.425)	141.072
Cash and cash equivalents at 1 January		287.112	138.353	265.630	124.558
Cash and cash equivalents at 31 December		**72.703**	**287.112**	**60.205**	**265.630**
Non-cash transactions	27				
Cash and cash equivalents comprise:					
Deposit on demand and cash		72.580	287.067	60.205	265.630
Special-term deposits		123	45	0	0
Total		**72.703**	**287.112**	**60.205**	**265.630**

Consolidated statement of changes in equity for the period 1 January to 31 December 2008
Group

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Share based payments DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2008	**61.304.510**	**61.304**	**0**	**17.332**	**586.432**	**665.068**
Fair value adjustment of available-for-sale financial assets	0	0	0	0	0	0
Recognised directly in quity	**0**	**0**	**0**	**0**	**0**	**0**
Net loss for the year	0	0	0	0	(301.208)	(301.208)
Total net income	**0**	**0**	**0**	**0**	**(301.208)**	**(301.208)**
Recognition of share-based payment	0	0	0	10.015	0	10.015
Exercise of share-based payment	0	0	0	0	0	0
Share capital increase through non-cash payment	5.000.000	5.000	0	0	50.500	55.500
Other transactions total	**5.000.000**	**5.000**	**0**	**10.015**	**50.500**	**65.515**
Equity at 31 December 2008	**66.304.510**	**66.304**	**0**	**27.347**	**335.724**	**429.375**

Consolidated statement of changes in equity for the period 1 January to 31 December 2007
Group

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Share based payments DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2007	**45.684.880**	**45.685**	**0**	**10.668**	**374.297**	**430.650**
Transferred to Retained earnings, beginning of year	0	0	0	0	(1.287)	(1.287)
Recognised directly in quity	**0**	**0**	**0**	**0**	**(1.287)**	**(1.287)**
Net loss for the year	0	0	0	0	(211.600)	(211.600)
Total net income	**0**	**0**	**0**	**0**	**(212.887)**	**(212.887)**
Recognition of share-based payment	0	0	0	6.862	0	6.862
Exercise of share-based payment	0	0	0	(198)	198	0
Share capital increase through exercise of warrants	21.600	21	500	0	0	521
Share capital increase through cash payment	12.000.000	12.000	319.981	0	0	331.981
Share capital increase through non-cash payment	3.598.030	3.598	104.343	0	0	107.941
Share premium account tranferred to "Retained earnings"	0	0	(424.824)	0	424.824	0
Other transactions total	**15.619.630**	**15.619**	**0**	**6.664**	**425.022**	**447.305**
Equity at 31 December 2007	**61.304.510**	**61.304**	**0**	**17.332**	**586.432**	**665.068**

Expenses relating to the capital expansion 21 June 2007 have been deducted in "Retained earnings" in the amount of TDKK 28,019.

Parent company statement of changes in equity for the period 1 January to 31 December 2008
Parent

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Share based payments DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2008	**61.304.510**	**61.304**	**0**	**17.332**	**586.432**	**665.068**
Fair value adjustment of available-for-sale financial assets	0	0	0	0	0	0
Recognised directly in quity	**0**	**0**	**0**	**0**	**0**	**0**
Net loss for the year	0	0	0	0	(301.208)	(301.208)
Total net income	**0**	**0**	**0**	**0**	**(301.208)**	**(301.208)**
Recognition of share-based payment	0	0	0	10.015	0	10.015
Exercise of share-based payment	0	0	0	0	0	0
Share capital increase through non-cash payment	5.000.000	5.000	0	0	50.500	55.500
Other transactions total	**5.000.000**	**5.000**	**0**	**10.015**	**50.500**	**65.515**
Equity at 31 December 2008	**66.304.510**	**66.304**	**0**	**27.347**	**335.725**	**429.376**

The share capital is an undistributable reserve, while the other reserves are distributable for dividend purposes subject to the provisions of the Danish Public Companies Act.

Parent company statement of changes in equity for the period 1 January to 31 December 2007
Parent

	Number of shares	Share capital DKK ' 000	Share premium account DKK ' 000	Share based payments DKK ' 000	Retained earnings DKK ' 000	Total DKK ' 000
Equity at 1 January 2007	**45.684.880**	**45.685**	**0**	**10.668**	**532.658**	**589.011**
Effect of adjusted	0	0	0	0	(158.361)	(158.361)
Adjusted equity at 1 January 2007	**45.684.880**	**45.685**	**0**	**10.668**	**374.297**	**430.650**
Fair value adjustment of available-for-sale financial assets	0	0	0	0	(1.287)	(1.287)
Recognised directly in quity	**0**	**0**	**0**	**0**	**(1.287)**	**(1.287)**
Net loss for the year	0	0	0	0	(211.600)	(211.600)
Total net income	**0**	**0**	**0**	**0**	**(212.887)**	**(212.887)**
Recognition of share-based payment	0	0	0	6.862	0	6.862
Exercise of share-based payment	0	0	0	(198)	198	0
Share capital increase through exercise of warrants	21.600	21	500	0	0	521
Share capital increase through cash payment	12.000.000	12.000	319.981	0	0	331.981
Share capital increase through non-cash payment	3.598.030	3.598	104.343	0	0	107.941
Share premium account tranferred to "Retained earnings"	0	0	(424.824)	0	424.824	0
Other transactions total	**15.619.630**	**15.619**	**0**	**6.664**	**425.022**	**447.305**
Equity at 31 December 2007	**61.304.510**	**61.304**	**0**	**17.332**	**586.432**	**665.068**

Expenses relating to the capital expansion 21 June 2007 have been deducted in "Retained earnings" in the amount of TDKK 28,019.

The share capital is an undistributable reserve, while the other reserves are distributable for dividend purposes subject to the provisions of the Danish Public Companies Act.

Notes to the financial statements

1. ACCOUNTING POLICIES

Basis of preparation

The annual report of TopoTarget, including the consolidated financial statements, has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. TopoTarget presents its financial statements in accordance with all applicable IFRS standards. The accounting policies for the group are unchanged from last year.

The presentation of financial statements for the parent company in accordance with the Danish Financial Statements Act (reporting class D), represents a change compared with previous years. The change was made for the purpose of easing the administrative burden and to improve communications with the company's stakeholders.

Going Concern statement for Annual Report 2008

TopoTarget's financial statements are prepared on a going concern basis. Management is running the company to a budget with the objective of ensuring that current financial resources take it into the beginning of 2010. Management is confident that during the course of 2009 it will enter into a licensing or similar type agreement in respect of its key development programme belinostat that will enable continued development of belinostat and other programmes in 2010 and beyond. Management acknowledges that there are some risks associated with this strategy which include the following:

- The budget assumes a net profit for the year from sales of its marketed product Savene®/Totect®. While management is confident of achieving such profit there is a risk that the necessary sales to produce a profit will not be met, reducing the Company's runway;
- While management is also confident of entering into a licensing or similar type deal on belinostat during the course of 2009, if it is not achieved in a timely manner, TopoTarget may be required to seek additional financing by way of equity issue or similar, which may not be available when required, or at all;
- If additional financing is not available the Company could be required to seek funds through sale or out-licensing arrangements that may involve relinquishing rights to the Company's technologies, candidate drugs or products the Company would prefer to keep or develop on its own;
- If timely and adequate financing cannot be obtained, the Company may be required to significantly curtail its clinical development activities, which could lead to a loss in value of its research and development projects including those that have been previously acquired from third parties and are recognized on the Company's balance sheet;

Implementation of new and revised standards and interpretations

The annual report for 2008 is presented in accordance with the new and revised standards (IFRS/IAS) and interpretations (IFRIC) which apply for financial years starting on or after 1 January 2008.

Standards and interpretations which have come into force

- IAS 39, *Financial instruments: Recognition and Measurement (changed 2008)*
- IFRIC 11, IFRS 2 Group and Treasury Share
- IFRIC 12, *Service Concession Arrangements*
- IFRIC 14, *The limit on a defined benefit asset, minimum funding requirements and their interaction*

The implementation of the new and revised standards and interpretations in the annual report for 2008 has not resulted in changes to accounting policies.

Standards and interpretations not yet in force
At the date of the publication of this annual report, the following new or amended standards and interpretations have not yet entered into force, and are therefore not included in this annual report:

- Revised IFRS 2, *Share-based payment.* The standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.
- Revised IFRS 3, *Business combinations.* The standard comes into force for financial years starting on or after 1 July 2009. The standard has not yet been adopted for use in the EU.
- IFRS 8, *Operating segments.* The standard comes into force for financial years starting on or after 1 January 2009.
- Revised IAS 1, Presentation of financial statements. The revised standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.
- Revised IAS 23, *Borrowing costs.* The revised standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.
- Revised IAS 27, *Consolidated and separate financial statements.* The revised standard comes into force for financial years starting on or after 1 July 2009.
- IFRIC 13, *Customer loyalty programmes.* The interpretation comes into force for financial years starting on or after 1 August 2008. The interpretation has not yet been adopted for use in the EU.
- IFRIC 15, Agreements for the Construction of Real Estate. The interpretation comes into force for financial years starting on or after 1 January 2009. The interpretation has not yet been adopted for use in the EU.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation comes into force for financial years starting on or after 1 October 2008. The interpretation has not yet been adopted for use in the EU.
- IFRIC 17, Distribution of Non-cash Assets to Owners. The interpretation comes into force for financial years starting on or after 1 July 2009. The interpretation has not yet been adopted for use in the EU.

The adoption of the revised IFRS 3, Business combinations, entails that, as from the financial year 2010, the Group must recognise acquisition costs and changes to contingent consideration on company acquisitions directly in the income statement.

Management believes that the application of these new and revised standards and interpretations will not have any material impact on the annual report for the coming financial years, except for the additional disclosure requirements for financial instruments and operating segments that follow from the implementation of IFRS 8.

Parent company – Accounting policies

The financial statements of the parent company TopoTarget A/S have been prepared in conformity with the provisions of the Danish Financial Statements Act for large reporting class D enterprises. The annual report is presented in Danish kroner (DKK), which also is the functional currency of the company.

Transition to the Danish Financial Statements Act in respect of the parent company financial statements

The financial statements of the parent company for 2008 have been prepared in accordance with the Danish Financial Statements Act, as a result of which investments in subsidiaries are now recognised according to the equity method. In addition, the disclosure requirements are

less comprehensive than under IFRS. Other than that, the accounting policies applied for the parent company for 2008 are unchanged from previous years.

The effect of the change is specified as follows:

			2007			2008
DKK '000	IFRS	Change	DFSA*	IFRS	Change	DFSA*
Income from investments in subsidiaries	0	(100,899)	(100,899)	0	(182,425)	(182,425)
Profit/loss for the year	(110,701)	(100,899)	(211,600)	(118,783)	(182,425)	(301,208)
Investments in subsidiaries	467,366	(232,466)	234,900	347,419	(270,519)	76,900
Receivables from subsidiaries	109,453	(26,794)	82,659	163,580	(45,166)	118,414
Equity	924,328	(259,260)	665,068	745,061	(315,685)	429,376
Total assets	1,018,732	(259,260)	759,472	867,461	(315,685)	551,776

* Danish Financial Statements Act

Recognition and measurement

The items included in the financial statements of each entity of the Group are measured by using the currency that best reflects the economic substance of the underlying events and conditions applicable for the entity in question. The financial statements are presented in Danish Kroner, the parent company's and the subsidiaries' functional currency.

On initial recognition, assets and liabilities are measured at cost. Revenue and costs, assets and liabilities are subsequently measured as described below.

The preparation of financial statements assumes the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

Recognition and measurement take into consideration anticipated gains, losses and risks that arise before the time of adoption of the annual report and that confirm or invalidate matters and conditions existing at the balance sheet date.

Income is recognised in the income statement as and when earned, whereas expenses are recognised as incurred. Value adjustments of financial assets and liabilities are recognised in the income statement as financial income or financial expenses.

For assets classified as assets held for sale, unrealised loss and profit is recognised directly to the equity.

Consolidated financial statements

The consolidated financial statements comprise the parent company and group enterprises in which the parent company is entitled to determine finance and operating policies, which normally applies for ownership interests of more than half of the voting rights.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries. The consolidated financial statements are prepared by adding items of a uniform nature. On consolidation intra-group income and expenses, intra-group accounts, dividends as well as gains and losses on transactions between the consolidated enterprises are eliminated.

The financial statements used for consolidation are prepared in accordance with the Group's accounting policies.

Acquisitions of subsidiaries are accounted for using the purchase method. Costs related to an acquisition are measured at the fair value of remuneration in the form of assets, the equity instruments granted and the liability incurred at the date of acquisition with the addition of costs directly connected to the takeover.

Acquired identifiable assets, liabilities and contingent liabilities in a business combination are measured on initial recognition at fair value at the acquisition date. Identifiable intangible assets are recognised if they can be separated or arise from a contractual right and the fair value can be reliably measured. Positive differences between cost and fair value of the Group's share of the identifiable net assets are recognised as goodwill.

Newly acquired subsidiaries are consolidated at the time when the controlling influence is established in the Group.

Foreign currency translation

On initial recognition, transactions denominated in foreign currency are translated at the exchange rate ruling on the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are translated at the exchange rates ruling at the balance sheet date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of foreign subsidiaries in which Danish kroner (DKK) is the functional currency but which present their financial statements in another currency, monetary assets and monetary liabilities are translated at the exchange rate at the balance sheet date. Non-monetary assets and liabilities measured based on historical cost are translated at the exchange rate at the transaction date. Non-monetary assets and liabilities measured at fair value are translated at the exchange rates at the most recent date of fair value adjustment.

Income statement items are translated at average monthly exchange rates, except for items derived from non-monetary assets and liabilities, which are translated at historical rates for the non-monetary assets and liabilities.

Income statement

Revenue

Revenue comprises Savene® and Totect® sales and milestone payments and other income from research and development agreements. Revenue is recognised when it is probable that future economic benefits will flow to the company and these economic benefits can be measured reliably. Income from agreements with multiple components and where the individual components cannot be separated is recognised over the period of the agreement. In addition, recognition requires that all material risks and benefits related to the ownership of the goods and services included in the transaction are transferred to the purchaser. If all risks and benefits have not been transferred, the revenue is recognised as deferred income until all components in the transaction have been completed.

Production costs

Production costs comprises costs incurred to generate the revenue. Production costs comprises cost of goods sol, transport costs, cost of inventories, salaries, contributions to

pension schemes, costs oaf share-based payments and other costs including depreciation, impairment writedown and amortisation attributable to the Group's production activities.

Research and development costs

Research costs comprise salaries, contributions to pension schemes, costs of share-based payments and other costs, including patent costs, as well as depreciation and amortisation attributable to the Group's research activities. Research costs are recognised in the income statement as incurred.

Development costs comprise salaries, contributions to pension schemes, costs of share-based payments and other costs, including depreciation and amortisation attributable to the Group's development activities. Capitalisation assumes that the development of the technology or the product in the Group's opinion has been completed, that all necessary public registration and marketing approvals have been obtained, and that costs can be reliably measured. Furthermore, it has to be established that the technology or the product can be commercialised and that the future income from the product can cover, not only production costs, sales and distribution costs and administrative expenses, but also development costs.

Development costs are recognised in the income statement as incurred if the conditions for capitalisation of the development costs are deemed not to be met.

Research and development costs also comprise any impairment write-down on acquired research and development projects made before the time when the project is available for use.

Sales and distribution costs

Sales and distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including salaries, contributions to pension schemes for sales and distribution staff, office expenses and depreciation and other indirect costs.

Administrative expenses

Administrative expenses comprise salaries, contributions to pension schemes to the management and administrative functions, office supplies as well as depreciation and amortisation and other indirect costs.

Financial income and expenses

These items comprise interest income and expenses, interest on capitalized milestone payment, the interest element of finance lease payments, realised gains and losses on marketable securities and realised and unrealised gains and losses on payables and transactions in foreign currencies.

Income taxes

Tax for the year, consisting of the year's current tax and movements in deferred tax, is recognised in the income statement as regards the amount that can be attributed to the profit/loss for the year and posted directly in equity as regards the amount that can be attributed to movements taken directly to equity. Current tax payable or receivable is recognised in the balance sheet as calculated tax on the taxable income for the year adjusted for prepaid tax.

The deferred tax charge is recognised and measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax values of assets and liabilities. The tax value of the assets is calculated based on the planned use of each asset.

Deferred tax is measured based on the tax rules and rates in the respective countries that will apply under the legislation in force on the balance sheet date when the deferred tax asset is

expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the value at which they are expected to be realised, either through a set-off against deferred tax liabilities or as net assets.

Deferred tax assets and liabilities are not recognised if the temporary difference arises on initial recognition (in cases other than in connection with a business combination) of other assets and liabilities in a transaction not affecting the results for tax or accounting purposes.

Provision is made for tax on temporary differences arising on investments in subsidiaries, unless the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future

Segment reporting

The Group is managed and operated as one business unit. The entire enterprise is managed by a management team reporting to the chief executive officer. No separate business areas or separate business units have been identified in connection with product candidates. The group's activities are exclusively in the business segment "Pharmaceuticals for treatment within the cancer area". Revenue segment assets and additions to property, plant and equipment and intangible segment assets are disclosed within the secondary geographical segments. Segment information is provided in accordance with the Group's accounting policies. Segments assets are those operating assets that are employed by a segment in its operating activity and that are either directly attributable or can be allocated to the segment on a reasonable basis.

Transactions between geographical segments are made a market value.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at the fair value on the balance sheet date. Positive and negative fair values of derivative financial instruments are recognised under other receivables and other payables respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as effective hedges of future transactions are recognised directly in equity. The ineffective portion is recognised immediately in the income statement. When the hedged transactions are realised, cumulative changes are recognised as part of the cost of the transactions in question.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries are recognised in the consolidated financial statements directly in equity to the extent that the hedge is effective. The ineffective portion is recognised immediately in the income statement. On disposal of the foreign subsidiary in question, the cumulative value changes are transferred to the income statement.

Derivative financial instruments that do not qualify for hedge accounting are considered trading portfolios and are measured at fair value. Any fair value changes are recognised in the income statement under financial items as they occur.

Certain contracts include terms and conditions that are similar to derivative financial instruments. To the extent that the embedded derivative financial instruments differ significantly from the overall contract, they are recognised and measured as separate instruments at fair value, unless the contract in question in its entirety is recognised and measured at fair value.

Share-based payment

All warrants granted after 1 January 2005 are equity instruments that are measured at fair value at the date of grant. Where warrants are included as part of an acquisition price of a subsidiary, the value of the equity instrument is recognised together with the remaining cost, and the balancing item is recognised directly over equity in reserve for share-based payment. Where warrants are issued as incentive programmes, the compensation cost is charged to the income statement of the over the period when the warrants vest. The expense is allocated to production costs, research and development costs, sales and distribution costs and administrative expenses, and the balancing item is taken directly to equity to the reserve for share-based payment.

The fair value is calculated using the Black&Scholes formula, taking into consideration to anticipated exercise of the warrants granted. On each balance sheet date, TopoTarget estimates the anticipated number of warrants that will vest. Any change to the original estimates of number of warrants will result in a change of the expensed cost over the remaining vesting period. Prior year changes are recognised in the income statement in the year in which the change is identified.

Balance sheet

Goodwill

Goodwill is the amount at which the cost of an enterprise taken over exceeds the fair value of the Group's share of the net assets acquired at the time of the takeover.

Goodwill is tested for impairment at every balance sheet date. In the event of an impairment loss, the carrying amount of the goodwill is written down to the recoverable amount. Writedowns are recognised in the income statement.

Acquired research and development projects

Costs of acquiring research and development projects are measured at cost price and recognised as intangible assets. The assets are amortised over their expected economic lives from the time when the project is ready for use (marketing approvals have been obtained). In the period until marketing approvals have been obtained the acquired research and development are annually undergoing impairment tests. After marketing approval has been obtained impairment test is prepared if events or circumstances indicate that the carrying amount may not be recoverable.

Property, plant and equipment

In the period until marketing approvals have been obtained the acquired research and development costs are annually undergoing impairment tests. After marketing approval has been obtained impairment test is prepared if events or circumstances indicate that the carrying amount may not be recoverable.

Other fixtures and fittings, tools and equipment as well as assets held under finance leases are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time it is ready to be put into operation. In the case of assets produced in-house, cost comprises direct and indirect costs for materials, components, third-party suppliers and labour. The cost price of assets held under finance leases is determined as the lower of the present value of future lease payments and the fair value.

The basis for depreciation is cost less estimated residual value after the end of useful life. The expected residual value is re-assessed every year. The assets are depreciated on a straight-line basis over their useful lives, which are four to ten years.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment as well as non-current asset investments is reviewed for impairment when events or changed conditions indicate that the carrying amount may not be recoverable. Where such an indication exists, an impairment test is made. An impairment loss is recognised in the amount with which the carrying amount exceeds the recoverable amount of the asset, which is the higher of the net present value and the net selling price. In order to assess the impairment, the assets are grouped on the least identifiable group of assets that generates cash flows (cash-generating units). Impairment losses are recognised in the income statement under the same items as the associated depreciation or amortisation.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured according to the equity method. This means that the investments are measured at the proportionate share of the companies' equity value after addition or deduction of any unamortised positive or negative goodwill, respectively, and after deduction or addition of unrealised intra-group gains and losses.

The parent company's share of the subsidiaries' profits or losses after tax and after elimination of unrealised intra-group gains and losses and with the deduction or addition of amortisation of positive, or negative, goodwill is recognised in the income statement.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables includes the purchase price plus transportation costs. The cost of finished goods and work in progress comprises the cost of raw materials, consumables and other manufacturing costs incurred by a sub-supplier.

The net realisable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

Financial assets

The Group and the parent company classify their financial assets in the following categories:

- Loans and receivables
- Available-for-sale financial assets

Financial assets are classified according to the purpose of the acquisition. Management determines the classification on initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the balance sheet, they are classified as trade receivables, other receivables and as loans.

Available-for-sale financial assets are non-derivative financial assets and are designated as Short-term securities in the balance sheet.

Trade receivables

On initial recognition, trade receivables are measured at fair value and subsequently measured at amortised cost according to the effective interest method less provision for expected losses.

Other receivables

On initial recognition, other receivables are measured at fair value and subsequently measured at amortised cost according to the effective interest method less provision for expected losses.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost, which usually corresponds to the nominal value.

Short-term securities

The securities are easily negotiable in the established markets. Short-term securities are classified as "available for sale". Fair value equals the market price. Upon a sale, cost is measured according to the FIFO principle. Realised gains and losses (including realised exchange rate gains and losses) are recognised in the income statement as financial items. Unrealised gains and losses (including unrealised exchange rate gains and losses) are recognised directly in equity. Transactions are recognised on the trade date.

Cash

Cash comprises cash holdings, bank deposits and short-term securities with an insignificant price risk. Cash is measured at fair value.

Equity

The share capital comprises the nominal value of the company's ordinary shares, each with a nominal value of DKK 1.

Retained earnings include amounts paid as premium compared to the nominal value of the shares in connection with the company's capital increases less external expenses, which are directly attributable to the increases of capital. The amount also includes unrealised gains and losses (including unrealised exchange rate gains and losses).

The reserve for share-based payment includes the value of recognised warrant programmes measured at the fair value at the time of grant and subsequent value adjustments.

The buying and selling of own shares is recognised directly in equity. Own shares are therefore not recognised separately in the balance sheet.

Pension obligations

Under the defined contribution plans, regular and fixed contributions are paid to independent pension companies or similar institutions. The contributions are recognised in the income statement during the period in which the employees rendered the related service. Payments due are recognised as a liability in the balance sheet.

In respect of defined benefit plans, the Group is required to pay an agreed benefit in connection with the retirement of the employees covered by the plan, e.g. in the form of a fixed amount or a percentage of the salary at retirement.

For defined benefit plans, an annual actuarial assessment is made of the net present value of future benefits to which the employees have earned the right through their past service for the Group and which will have to be paid under the plan. The Projected Unit Credit Method is applied to determine value in use. The net present value is calculated based on assumptions of the future developments of salary, interest, inflation, mortality and disability rates.

The net present value of pension liabilities is recognised in the balance sheet, after deduction of the fair value of any assets attached to the plan, as either plan assets or pension liabilities, depending on whether the net amount is an asset or a liability, cf. below, however.

If the assumptions made with respect to discount factor, inflation, mortality and disability are changed or if there is a discrepancy between the expected and realised return on plan assets, actuarial gains or losses occur. These gains or losses are only recognised if the accumulated gains and losses at the beginning of a financial year exceed the higher numerical value of 10 % of the pension liabilities or 10 % of the fair value of plan assets (the corridor method). If this is the case, the excess amount is recognised in the income statement, distributed on the expected remaining average working life of the employees covered by the plan.

If the pension plan represents a net asset, the asset is only recognised to the extent that it does not exceed the sum of unrecognised actuarial losses, unrecognised past service costs and the present value of any refunds from the plan or reductions in future contributions to the plan.

If the benefits relating to the employee's service in prior periods change, this results in a change to the actuarial net present value which is considered a past service cost. If the employees covered by the plan have already earned the right to the changed benefits, the change is taken to the income statement immediately. Otherwise, the change is recognised in the income statement over the period during which the employees earn the right to the benefits.

Provisions

Provisions are recognised when the Group has an existing legal or constructive obligation as a result of a prior event on or before the balance sheet date, and it is probable that the company has to give up future economic benefits in order to repay the obligation. The provisions are measured according to an assessment of the costs required in order to repay the present obligation at the balance sheet date. Provisions which are not expected to be repaid within a year from the balance sheet date are measured at present value.

Lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet under liabilities, and are measured at amortised cost after initial recognition. The interest component of lease payments is recognised in the income statement as a financial expense over the term of the contracts.

Lease commitments relating to assets held under operating leases are recognised in the income statement over the terms of the contracts. Lease payments are recognised either in research and development costs, sales and distribution costs or administrative expenses, depending on the use of the asset.

Financial liabilities

Financial liabilities, including trade payables and other payables, are initially measured at fair value. In subsequent periods, financial liabilities are measured at amortised cost, applying the effective interest method, to the effect that the difference between the proceeds and the nominal value is recognised in the income statement as financial expenses over the term of the loan.

Deferred income

The item reflects the part of revenue that has not been recognised as income immediately on receipt of payment and which concerns agreements with multiple components which cannot be separated.

Cash flow statement

The cash flow statement of the parent company and the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes as well as interest paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and activities as well as purchase and sale of intangible assets, property, plant and equipment as well as non-current investments.

Cash flows from financing activities comprise changes in the size or composition of the parent company's and the Group's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt and payment of dividends.

Cash and cash equivalents comprise cash, deposits in financial institutions, liquid securities with terms of three months or less at the date of acquisition less short-term bank debt that forms an integral part of the Group's cash management activities.

Financial highlights and key ratios

The financial ratios have been calculated in accordance with "Recommendations & Ratios 2005", issued by the Danish Society of Financial Analysts, as set out below:

Earnings per share
Earnings per share is calculated as the net profit or loss divided by the weighted average number of outstanding ordinary shares.

Diluted earnings per share
Diluted earnings per share is calculated as the net profit or loss divided by the average number of outstanding ordinary shares adjusted for the diluting effect of issued equity instruments.

Share price at yearend
The yearend share price is determined as the average trading price (all trades) of the company's shares on the NASDAQ OMX Copenhagen stock exchange at the balance sheet date or at the most recent trading date prior to the balance sheet date.

Assets/equity
Total assets at the balance sheet date divided by total equity at the balance sheet date.

Net asset value per share
Net asset value per share is calculated as total equity at the balance sheet date divided by the number of outstanding ordinary shares at the balance sheet date.

Management's significant accounting assumptions and estimates

In using the Group's accounting policies, the management is required to use judgements, estimates and assumptions concerning the carrying amount of assets and liabilities which cannot be immediately inferred from other sources. Management's estimates are based on historical experience and other factors, including expectations of future events. The actual outcome may differ from these estimates.

Estimates and assumptions are re-assessed in an ongoing process. Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects the period in which it is made as well as subsequent reference periods.

No significant estimates have been made that are expected to result in adjustments to the annual report for next year.

Going concern

The financial statements are prepared on a going concern basis. Management is running the company to a budget with the objective of ensuring that current financial resources take it into the beginning of 2010. Management is confident that during the course of 2009 it will enter into a licensing or similar type agreement in respect of its key development programme belinostat that will enable continued development of belinostat and other programmes in 2010 and beyond. Management acknowledge that there are some risks associated with this strategy.

Management has in the section "Going Concern statement for Annual Report 2008" at the beginning of this note 1, described the risks associated with, and possible alternatives to, such strategy. We refer readers to this section.

Revenue recognition

Revenues are recognised when it is probable that the Company will incur future economic benefits and these benefits can be measured reliably. Revenue recognition requires that all significant risks and rewards of ownership of the rights or services included in the transaction have been transferred to the buyer. Where all significant risks and rewards have not been transferred, or are only partially transferred, for example where the transaction includes multiple elements, the estimated fair values of the completed transactions are taken to income and the revenues in excess of the fair value of the services provided or rights transferred, are recorded as deferred income until all elements of the transaction are completed.

In June 2004, TopoTarget entered into a license and collaboration agreement with CuraGen. The license fee under the agreement involves multiple components that cannot be separated. As a result, only the part of the license fee that corresponds to the period of time the research agreement has been in effect has been recognised in the income statement, while the remaining part is recognised under deferred income. The last instalment of the license payment is taken to revenue in 2007.

Capitalisation of development costs

Capitalisation of development costs requires that the development of the technology or the product in the company's opinion has been completed, that all necessary public registration approvals and marketing approvals have been obtained, that costs can be reliably measured and that the technology or the product can be commercialised and that the future income from the product can cover, not only sales and distribution costs and administrative expenses, but also development costs. As none of the company's products have obtained the status required for capitalisation, no development costs had been capitalised at 31 December 2008.

Impairment test of acquired research and development projects

The value of acquired research and development project recognised in the balance sheet as at 31 Decemnber primarily consist of the following projects; belinostat programme acquired in conjunction with the acquisition of TopoTarget UK in 2002 and in April 2008 in conjunction with the purchase from the former American partner to obtain the full control of this programme; APO010 and APO866 acquired in conjunction with the acquisition of TopoTarget Switzerland S.A. in 2007

In the period until a marketing approval has been obtained, the acquired research and development project is tested for impairment annually. After marketing approval has been obtained, an impairment test is performed only where events or other circumstances indicate that the carrying amount may not be recoverable.

Included in the factors taken into account when testing for impairment are, among other things, expected market size and penetration thereof, the costs of development, manufacture and sales and marketing, and the risk that development will not prove successful, all of which have an effect on the value of the amount recognised. Specially for projects in the early phases such assumptions include high uncertainty.

On the basis of TopoTarget's current financial reserves it is assumed that a financing event (e.g. belinostat licensing deal, capital increase, asset sale or similar event bringing substantial financial resources into the Company) will take place to ensure the costs of development etc in 2010 and beyond could be met. If timely and adequate financing cannot be obtained, TopoTarget may be required to significantly curtail its clinical development activities, which could lead to a loss in value of research and development recognised in the balance sheet as at 31 December 2008.

The topical VPA (Avugane and Baceca) project was part of the assets included when TopoTarget Germany was acquired. As a consequence of results from development of VPA the stage of development is amended from a phase II clinical compound to an earliger phase compound where the topical VPA is to be reformulated, increasing the percentage of active ingredient, with the goal of focusing on more severe cases of acne and also a broader use in dermatology (e.g. psoriasis). Impairment test as at 31 December 2008 of the VPA project has been prepared based on the assumption that the programme will be outlicensed.

In June 2007 TopoTarget acquired the development project APO866 together with the acquisition of Apoxis S.A. The purchase price included a conditional payment (APO866 milestone) payable when certain clinical endpoints were met. At acquisition the discounted value of the APO866 milestone was included in the calculation of the purchase price. Due to slow recruitment of patients the interim result of the current Ph II clinical trial is now expected later than previously assumed. This has led to changed assumptions for the calculation compared to initial recognition, thus leading to a reduction of the liability as at 31 December 2008 amounting to DKK 17.5 million and a similar adjustment in acquired research and development projects in progress. As at 31 December 2007 the APO866 milestone was included in current liabilities and is as at 31 December 2008 included in long term liabilities.

2. REVENUE

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Sale of goods	39.139	21.613	27.670	23.464
Sale of services	4.229	18.404	1.328	8.642
Milestone payments	522	4.873	0	3.826
Total	**43.890**	**44.890**	**28.998**	**35.932**

3. SEGMENT INfORMATION

Primary segments

The group's activities are exclusively in the business segment "Pharmaceuticals for treatment within the cancer ares".

Secondary segments

The group's revenue is divided into the following secondary geographical segments:

	Revenue	
	2008 DKK ´000	**2007 DKK ´000**
Denmark	1.237	966
Europe	21.646	18.782
USA	21.007	25.142
Total	**43.890**	**44.890**

The group's assets and additions to acquired researh and development projects plus other fixtures and fittings, tools and equipment are divided into the following secondary geographical segments:

	Assets		Additions to acquired research and development projects plus other fixtures and fittings, tools and equipment	
	2008 DKK ´000	**2007 DKK ´000**	**2008 DKK ´000**	**2007 DKK ´000**
Denmark	356.597	441.913	210.045	7.151
Europe	252.684	381.358	188	210.699
USA	9.752	10.904	481	426
Total	**619.032**	**834.175**	**210.715**	**218.276**

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Acquired research- and development projects	95.000	1.500	1.500	1.500
Other fixtures and fittings, tools and equipment	6.794	5.659	4.002	3.871
Gain/loss from sale of property and equipment	(356)	172	0	33
Total	**101.438**	**7.331**	**5.502**	**5.405**
Allocated by function:				
Production costs	1.500	1.500	1.500	1.500
Research and development costs	5.132	4.963	2.982	3.143
Write down of research and development projects	93.500	0	0	0
Sales and distribution costs	439	305	152	220
Administrative expenses	867	563	867	542
Total	**101.438**	**7.331**	**5.502**	**5.405**

5. STAFF COSTS

	Group		Parent	
	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Wages and salaries	80.428	86.877	57.432	52.607
Share-based payments	10.015	6.862	7.727	5.115
Pension contributions	9.012	8.804	7.070	6.865
Other social security costs	3.206	2.875	272	288
Total	**102.660**	**105.418**	**72.501**	**64.875**
Allocated by function:				
Production costs	195	4.172	195	4.172
Research and development costs	56.778	51.022	40.704	34.665
Sales and distribution costs	22.090	18.478	9.955	5.651
Administrative expenses	23.597	31.746	21.646	20.387
Total	**102.660**	**105.418**	**72.501**	**64.875**
Remuneration to Board of Directors *	2.475	2.951	2.475	2.877
Remuneration to Management *	3.174	4.160	3.174	4.160
Average number of full-time employees	**109**	**141**	**78**	**82**

* Of this share-based payments to Board of Directors, TDKK 1,178 and Management, TDKK 464 in 2008 and to Board of Directors, TDKK 1,348 and Management, TDKK 708 in 2007.

6. FINANCIAL INCOME

	Group		Parent	
	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Financial income from subsidiaries	0	0	4.476	2.492
Exchange rate adjustment of payables and receivables in foreign currencies	0	0	6.754	0
Fair value adjustments concerning divested available-for-sale financial assets	0	1.168	0	1.168
Fainancial income from securities and bank deposits	9.291	13.530	8.173	13.609
Other financial income	146	0	0	0
Total financial income	**9.437**	**14.698**	**19.403**	**17.269**

7. FINANCIAL EXPENSES

	Group		Parent	
	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Exchange rate adjustment of payables and receivables in foreign currencies	(11.435)	(3.872)	0	(6.561)
Amortisation of debt concerning milestone payment	(9.739)	(5.072)	(9.740)	(5.072)
Other financial expenses	0	0	(63)	0
Total financial expenses	**(21.174)**	**(8.944)**	**(9.803)**	**(11.633)**

8. TAX ON LOSS FOR THE YEAR

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Current tax	(4.899)	(2.447)	0	0
Adjustment of deferred tax	0	0	0	0
Tax on loss for the year	**(4.899)**	**(2.447)**	**0**	**0**
Deferred tax asset, net	**169.895**	**108.445**	**105.401**	**77.678**
Deductible temporary differences are attributable to the following terms:				
Intangible assets	(275.224)	(340.692)	(45.602)	(13.585)
Property, plant and equipment	18.702	17.725	10.588	7.148
Other temporary differences	(3.943)	4.806	(3.943)	1.138
Tax losses carried forward	859.354	690.660	460.560	316.013
Total	**598.889**	**372.499**	**421.603**	**310.714**
Tax asset, net	**169.895**	**108.445**	**105.401**	**77.678**
Deducted liability related to intangible assets	46.095	45.741	0	0
Tax asset, not recognised, gross	**215.990**	**154.186**	**105.401**	**77.678**

It is believed that at the present time there is not sufficient evidence that the tax asset can be utilised. It is therefore believed that capitalisation does not meet the requirement for recognition of assets in accordance with the accounting policies applied.

Of the consolidated loss to be carried forward (DKK 859.4 million, 2007: DKK 690.7 million), DKK 168.6 million (2007: DKK 203.8 million) is subject to foreign local restrictions with respect to application. (source-of-loss restriction)

Reconciliation of the changes for the year:

Loss for the period before tax	**(306.107)**	**(214.047)**	**(301.208)**	**(211.600)**
Calculated tax	**(79.495)**	**(58.564)**	**(75.302)**	**(52.900)**
Effect of changes tax rate in Denmark, not recognised	0	5.965	0	5.965
Changes in tax losses carried forward, not recognised	56.521	54.159	36.137	25.973
Changes in tax assets, not recognised	15.095	(3.864)	(8.413)	(3.971)
Other adjustments, not recognised	2.980	(143)	47.578	24.933
Total	**(4.899)**	**(2.447)**	**0**	**0**
Tax rate	1,6%	1,1%	-	-

9. BASIC AND DILUTED EPS IN DKK

Basic EPS

Basic EPS is calculated as the net result of the period's continuing activities, attributed to the ordinary shares of the company divided by the weighted average number of ordinary shares.

Diluted EPS

Diluted EPS is calculated as the net result of the period's continuing activities, attributed to the ordinary shares of the company divided by the weighted average number of ordinary shares adjusted for assumed dilution effect of issued equity instruments like convertible debts and issued outstanding warrants which can be converted to ordinary shares.

As the result is a net loss, no adjustment for dilution effects has been made since these are anti-diluting.

Basic and diluted EPS are as follows:

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Loss for the year attributable to equity holder of the parent	(301.208)	(211.600)	(301.208)	(211.600)
Weighted average number of ordinary outstanding shares	64.323.636	53.955.186	64.323.636	53.955.186
Basic and diluted EPS	(4,68)	(3,92)	(4,68)	(3,92)

10. INTANGIBLE ASSETS

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Acquired research and development projects still in progress				
Cost at 1 January	357.438	153.172	11.276	11.276
Adjustment of cost price	(17.534)	0	0	0
Addition on acquisition of a subsidiary	0	199.815	0	0
Additions	209.276	4.592	209.276	0
Disposals	0	(141)	0	0
Cost at 31 December	**549.180**	**357.438**	**220.552**	**11.276**
Amortisation at 1 January	0	0	0	0
Effect of adjusted recognition and measurement of acquired research and development projects	(93.500)	0	0	0
Amortisation at 31 December	**(93.500)**	**0**	**0**	**0**
Carrying amount at 31 December	**455.680**	**357.438**	**220.552**	**11.276**
Acquired research and development projects - available for use				
Cost at 1 January	15.076	15.076	15.076	15.076
Transferred from acquired research and development projects still in progress	0	0	0	0
Cost at 31 December	**15.076**	**15.076**	**15.076**	**15.076**
Amortisation at 1 January	(1.875)	(375)	(1.875)	(375)
Amortisation	(1.500)	(1.500)	(1.500)	(1.500)
Amortisation at 31 December	**(3.375)**	**(1.875)**	**(3.375)**	**(1.875)**
Carrying amount at 31 December	**11.701**	**13.201**	**11.701**	**13.201**
Total acquired research and development projects	**467.381**	**370.639**	**232.253**	**24.477**
The weitghted average residual term of licenses and rights is approximately (number of years)	7,75	8,75	7,75	8,75

As described in note 25, Astellas has a buyback option concerning a part of the acquired research and development projects acquired through the acquisition of TopoTarget Switzerland S.A.

Above shown write down, DKK 93.5 million, has been made as a result of managements impairment test. The write down has been expensed as write down of research and development costs. Also see note 1, the section " Impairment test of acquired research and development projects" for further explanations.

In June 2007 TopoTarget acquired the development project APO866 together with the acquisition of Apoxis S.A. The purchase price included a conditional payment (APO866 milestone) payable when certain clinical endpoints were met. At acquisition the discounted value of the APO866 milestone was included in the calculation of the purchase price. Due to slow recruitment of patients the interim result of the current Ph II clinical trial is now expected later than previously assumed. This has led to changed assumptions for the calculation compared to initial recognition, thus leading to a reduction of the liability as at 31 December 2008 amounting to DKK 17.5 million and a similar adjustment in acquired research and development projects in progress. As at 31 December 2007 the APO866 milestone was included in current liabilities and is as at 31 December 2008 included in long term liabilities.

In 2003, TopoTarget's German subsidiary entered into an agreement with Novartis for the development of a recombinant protein which targets a common cancer antigen, ErbB2/HER2, involved in the development of malignancies such as breast cancer and head and neck tumours. The Company has exercised its option to exclusively in-license Zemab®. Under the agreement, Novartis grants TopoTarget an exclusive licence for patent rights, interest in joint patent rights, and know-how relating to Zemab®. The agreement required payments for the option, as well as an additional payment upon its exercise plus milestone payments and royalties if a product is commercialised. Novartis retains both a buy-back right up to the end of phase II and a first right of negotiation at any time.

11. PROPERTY, PLANT AND EQUIPMENT

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Other fixtures and fittings, tools and equipment				
Cost at 1 January	33.805	21.294	22.589	16.053
Addition on acquisiton of a subsidiary	0	5.292	0	0
Additions	1.439	8.577	770	7.151
Disposals	(17.245)	(1.358)	0	(615)
Cost at 31 December	**18.000**	**33.805**	**23.359**	**22.589**
Depreciation at 1 January	(15.390)	(10.304)	(10.178)	(6.533)
Depreciation	(6.794)	(5.659)	(4.002)	(3.871)
Depreciation regarding disposals for the year	16.278	573	0	226
Depreciation at 31 December	**(5.905)**	**(15.390)**	**(14.180)**	**(10.178)**
Carrying amount at 31 December	**12.094**	**18.415**	**9.179**	**12.411**
Carrying amount at 31 December of assets held under finance leases included in the above amounted to	0	458	0	458

The company has the right to purchase the assets held under finance leases on expiryof the lease agreement.

12. NON-CURRENT INVESTMENTS

	Parent	
Investments in subsidiary	**2008 DKK ' 000**	**2007 DKK ' 000**
Cost at 1 January	467.366	307.429
Adjustment of cost price, re. note 10	(17.534)	0
Addition through capital increase in subsidiary	23.586	59.423
Addition on acquisition of a subsidiary	0	100.380
Addition through establishment of subsidiary	0	134
Cost at 31 December	**473.419**	**467.366**
Net impairment at 1 January	(232.466)	(158.361)
Income after tax from investments in subsidiaries	(164.053)	(74.105)
Net impairment at 31 December	**(396.519)**	**(232.466)**
Value at 31 December	**76.900**	**234.900**

Investments in subsidiaries comprise:

Name	**Ownership interest**		
TopoTarget UK Limited, England	100%	31.616	63.519
TopoTarget Germany AG, Tyskland	100%	24.474	97.451
TopoTarget USA, Inc., USA	100%	(45.168)	(26.795)
TopoTarget Switzerland S.A., Switzerland	100%	20.676	73.796
TopoTarget Netherlands B.V., The Netherlands	100%	134	134
Total		**31.732**	**208.105**
Negative equity transferred to set off against receivables from subsidiaries		45.168	26.795
Værdi 31. december		**76.900**	**234.900**

	Parent	
Receivables from subsidiaries	**2008 DKK ' 000**	**2007 DKK ' 000**
Cost at 1 January	119.740	12.226
Addition on acquisition of a subsidiary	0	73.760
Additions	47.811	70.438
Disposals	(3.160)	(36.684)
Cost at 31 December	**164.391**	**119.740**
Net impairment at 1 January	(37.081)	(6.942)
Negative equity transferred to set off against receivables from subsidiaries	(18.373)	(26.795)
Exchange adjustments etc.	9.477	(3.344)
Net impairment at 31 December	**(45.977)**	**(37.081)**
Value at 31 December	**118.414**	**82.659**

Of the receivable from subsidiaries, an amount of TDKK 116,964 is granted as subordinated loan capital.

	Group		Parent	
Other receivables	**2008 DKK ' 000**	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Cost at 1 January	**1.657**	**1.136**	**1.472**	**1.136**
Additions	266	521	131	336
Disposals	0	0	0	0
Cost at 31 December	**1.923**	**1.657**	**1.603**	**1.472**
Net impairment at 1 January	0	0	0	0
Exchange adjustments etc.	0	0	0	0
Net impairment at 31 December	**0**	**0**	**0**	**0**
Value at 31 December	**1.923**	**1.657**	**1.603**	**1.472**

13. TRADE RECEIVABLES

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Trade receivables	13.040	16.490	6.229	8.489
Provision for doubtful debts	0	0	0	0
Total	**13.040**	**16.490**	**6.229**	**8.489**

The average credit period for trade receivables is 76 days. The company is entitled to charge interest of 1.5% per month after the due date, which is 30 days from the invoice date. Provisions are made for losses based on inability to pay. Management performs analyses on the basis of customer´s expected ability to pay, historical information about payment patterns and doubtful debtors and customer concentrations, customer creditworthiness and economic conditions in the company´s sales channels. No provision has been made for overdue accounts, as experience suggests that customers, which are primarily public sector enterprises, pay the full amount.

The company only deals with customers who are considered creditworthy. The company´s former partner, CureGen, is the only customer that represents more than 5% of the company´s total trade receivables.

Trade receivables include an amount of TDKK 8,073, which is due for payment. The company is in ongoing dialougue with the customers in question and expects to receive payment before long. The average age of these receivables was 63 days in 2008 and 75 days in 2007.

The table below shows the due dates of trade receivables:

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Undue	4.967	5.491	2.050	3.957
Falling due within 90 days	623	9.399	623	2.932
Falling due after more tha 90 days	7.450	1.600	3.556	1.600
Total	**13.040**	**16.490**	**6.229**	**8.489**

14. SECURITIES

Securities comprise:

		Group		Parent	
		2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Callable loans	DKK	35.295	70.135	35.295	70.135
Non callable loans	DKK	0	46.370	0	46.371
Total		**35.295**	**116.505**	**35.295**	**116.506**
Securities expire:					
Up to one year		35.295	13.493	35.295	13.493
One to five years		0	15.919	0	15.919
More than five years		0	87.093	0	87.093
Total		**35.295**	**116.505**	**35.295**	**116.505**

All bonds are mortgage or government bonds with low risk and a fixed nominal interest of 4% p.a. (2007: 4-9 % p.a.).

15. SHARE CAPITAL

The share capital consists of 66,304,510 ordinary shares of 1 DKK each.

Each share carries one vote.

Changes in share capital in 2007 and 2008:

	Date	**Total DKK**
Share capital	01.01.2007	**45.684.880**
Share issue through warrant exercise	30.03.2007	21.600
Share issue through private placement	21.06.2007	12.000.000
Share issue through non-cash payment	27.06.2007	3.598.030
Share capital	**01.01.2008**	**61.304.510**
Share issue through non-cash payment	07.05.2008	5.000.000
Total	**31.12.2008**	**66.304.510**

16. WARRANTS

Description of warrant programme

For the purpose of motivating and retaining employees and other associated persons, the company has established share option schemes in the form of warrants for shareholders, members of the board and employees/consultants as well as the company's advisors.

The table below shows the extent of the individual programmes that are active in the financial year or the comparative year.

The following shar-based payment programmes were in place in the financial or the comparative year:

	Time of issuet	Number incl. bonus warrants	Time of grant	Subscription period - two weeks after the release of interim and annual reports	Estimated fair value ´000 DKK	Number exercised	Oustanding warrants	Exercise price DKK
Programme 1 *	2001	1.199.988	26 March 2003 or later	Martch and August 2006-2012 and March 2013	N/A	705.036	494.952	8,33
Programme 2 *	2003	891.084	26 March 2003 or later	March and August 2006-2012 and March 2013	N/A	399.195	491.889	16,83
Programme 3 **	2005, March	452.088	11 March 2005	August and November 2006, March, May, August and November 2007-2012 and March 2013	5.879	452.088	0	1,00
Programme 4	2005, September	576.176	16 September 2005	August 2006 and March and August 2007-2012	5.288	80.000	496.176	24,14
Programme 4	2005, September	500.000	16 September 2005	Marts and August 2007-2012 and March 2013	4.589	6.600	493.400	24,14
Programme 5	2006, October	217.500	4 October 2006	Marts and August 2008-2013 and March 2014	2.692	0	217.500	32,77
Programme 5	2006, October	217.500	4 October 2006	Marts and August 2009-2013 and March 2014	2.692	0	217.500	32,77
Programme 5	2006, October	435.000	4 October 2006	Marts and August 2010-2013 and March 2014	5.385	***36.500	398.500	32,77
Programme 5	2007, September	282.500	27 September 2007	Marts and August 2009-2014 and March 2015	2.976	0	282.500	23,99
Programme 5	2007, September	282.500	27 September 2007	Marts and August 2010-2014 and March 2015	2.976	***35.750	246.750	23,99
Programme 5	2007, September	565.000	27 September 2007	March and August 2011-2014 and March 2015	5.953	***71.500	493.500	23,99
Total programmes					**38.430**	**1.786.669**	**3.832.667**	

* The holders have earned complete and final rights.

** Issued in connection with company acquisitions. The holders have earned complete and final rights.

*** Expired through employees leaving the company.

Under the programmes, each warrant entitles the holder to subscribe for one share against cash payment of the exercise price, as illustrated in the table. The warrant programme is conditional upon the warrantholder being employed with or acting as a consultant to the company or being a member of the company's Board of Directors. Warrants subsequently vest after 12 months for 25% of the allocated warrants, after 24 months for another 25% of the allocated warrants, and the remaining 50% of the allocated warrants vest after 36 months. If an employee/consultant/board member resigns, the person in question is obliged to exercise the vested warrants in the first coming exercise period after the date of resignation.

If issuing bonus shares, the number of shares which can be subscribed in accordance with the warrants is increased proportionally and the subscription price of the shares must be reduced proportionally so that the profit potential is retained. The number of shares which can be subscribed must be reduced proportionally and the subscription price has to be increased proportionally if the company reduces the capital by reserves to a special fund, cf. the Danish Public Companies Act, or in cover of loss, cf. section 44 of the Act. Last time bonus shares where issued was in Spring 2004.

In the event that a decision is made to liquidate the company, to merge or demerge the company or to reduce the share capital through a subsequent disbursement, the warrant owners are entitled to exercise their warrants within 14 days.

The estimated values of warrants issued are calculated using the Black-Scholes model. The value is expensed over the income statement during the period in which the warrants vest.

The following assumptions provide the basis for the estimated fair values:

	Group	
	2008	**2007**
Weighted average share price (DKK per share)	N/A	23,20
Weighted average exercise price (DKK per share)	N/A	23,99
Expected volatility (%)	N/A	40,29
Risk-free interest rate (%)	N/A	4,35
Expected dividend payout ratio (%)	N/A	0,00
Period until expiry (number of years)	N/A	7

The expected volatility was calculated based on historic volatility on the share price of the parent company's shares during the period from the IPO in June 2005.

Period until expiry is calculated on the basis of the most recent potential exercise of the warrant adjusted for expected termination of employment and other causes of non-exercise of the warrants.

Specification of total outstanding warrants:

	Group			
	2008 Number of warrants	2008 DKK ' 000 Weighted average exercise prices	2007 Number of warrants	2007 DKK ' 000 Weighted average exercise prices
Outstanding warrants 1 January	3.976.417	23,11	2.868.017	22,95
Granted in the financial year	0	0,00	1.130.000	23,99
Exercised in the financial year	0	0,00	(21.600)	24,14
Expired in the financial year (leaving employees)	(143.750)	26,22	0	0,00
Outstanding warrants, 31 December	**3.832.667**	**22,57**	**3.976.417**	**23,11**

The weighted average remaining contractual maturity was 4.2 years at 31 December 2008 and 5.2 years at 31 December 2007.

Of the total outstanding warrants, 2,693,917 are earned and not exercised per 31 December 2008 (per 31 December 2007: 2,193,917).

No warrants have been exercised in 2008.

The market price at the time when warrants were exercised in 2007 was DKK 35.70 on 30 March 2007.

The above assumptions were applied in connection with the calculation of the fair value of the warrants being vested.

The following values were recognised for the programmes:

	Group		Parent	
	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Recognised share-based payment, equity schemes	10.015	6.862	7.727	5.115
	10.015	**6.862**	**7.727**	**5.115**

17. PENSION PLANS

The group companies operate a range of pension plans. The parent company and the subsidiaries in the UK, Germany and the USA all operate defined contribution plans. TopoTarget Switzerland S.A. operates defined benefit plans for the employees.

Under the defined contribution plans, TopoTarget pays regular pension contributions to an independant pension company or similar institution and carries no risk in respect of future developments in interest rate, inflation, mortality, etc. In respect of the amount eventually to be paid to the employee.

Under the defined benefit plans, TopoTarget is obliged to pay an agreed benefit, when an employee is retired, and TopoTarget carries the risk in respect of future developments in interest rates, inflation, mortality, etc. In respect of the amount eventually to be paid to the employee.

TopoTarget Switzerland S.A. is included in the Group from 27 June 2007.

Defined benefit plans

TopoTarget Switzerland S. A., operates defined benefit plans for its employees. Under the pension plans, employees are entitled to receive regular pension payments corressponding to a certain percentage of their end salary on retirement, provided that the employee has a defined minimum age on retirement and has been employed with the company for a minimum of years.

Costs of the defined benefit plans are recognised in the income statement as follows:

	Group	
	2008 DKK ' 000	**2007 DKK ' 000**
Pension cocts for the year	1.311	768
Total	**1.311**	**768**

Specification of pension obligation recognised in the balance sheet:

	Group	
	2008 DKK ' 000	**2007 DKK ' 000**
Present value of funded pension obligations	5.289	13.585
Fair value of plan assets	-4.528	-10.986
Unfunded pension obligations	761	2.599
Unrecognised actuarial gains and losses	0	0
Unrecognised pension cocsts concerning prior years	0	0
Total	**761**	**2.599**

The pension obligations are calculated on the basis of the following actuarial assumptions:

Average discount factor	3,60%	3,60%
Expected return on plan assets	4,17%	4,17%
Expected wage increases	2,00%	2,00%
Expected increases in pensions	0,25%	0,25%

Specification of plan assets measured at fair value:

Shares	18%	15%
Listed bonds	61%	64%
Real property	10%	10%
Other	11%	11%
Total	**100%**	**100%**

None of the plan assets are related to the Group´s businesses in the form of treasury shares, rental property, loan or the like.

TopoTarget expects to pay in total DKK 0.2 million into the schemes during the coming fiscal year.

The most recent actuarial calculation of the pension obligations was made as at 31 December 2008 by the pension insurance company Zürich, Lausanne.

18. FINANCIAL INSTRUMENTS

Capital risk management

It is group policy to minimize financial risks. The company does not use hedging transactions. Management carefully assesses and monitors the company's currency and interest rate exposure.

The group manages its capital with a view to ensuring at all times that all group entities can meet their payment obligations and give investors the best possible return on their investment through the best possible ratio of debt to equity. The group's overall strategy has changed with its primary focus currently being dedicated to belinostat and its 2009 objective of ensuring current financial resources last into the beginning of 2010. These strategies will be reviewed on a successful funding event.

The group's capital structure is composed of debt, as appears from the liabilities stated in the balance sheet with the exception of deferred tax, cash and cash equivalents and securities and equity, comprising both share capital, reserves and retained losses.

The carrying amount of financial assets and financial liabilities equals the fair value of such assets and liabilities.

Cash, cash equivalents and securities relative to equity
The company is a development-stage company generating income from the sale of Savene®/Totect® and from the sale of services. The company has a net cash outflow.

Group management regularly reviews the company's capital structure and, in this respect, takes into account both the price of capital and the risk related to the capital.

The company has cash and cash equivalents and a securities portfolio to fund the day-to-day cash requirements of the business. Cash, cash equivalents and securities amounted to DKK 108.0 million at 31 December 2008. At the same time in 2007, the value of cash and cash equivalents and securities was DKK 403.6 million.

The group is being run to a budget with the objective of ensuring that current financial resources take it into the beginning of 2010. Management is confident that during the course of 2009 it will enter into a licensing or similar type agreement in respect of its key development programme belinostat or achieve some other funding event that will enable continued development of belinostat and other programmes in 2010 and beyond and other key projects as financial resources allow.

Reference is also made to Note 1 – "Going Concern statement for Annual Report 2008".

Significant accounting policies
Note 1 to the financial statements sets out the significant accounting policies and the methods applied, including policies on recognition and measurement.

Financial instrument categories
The carrying amount of each financial asset and liability is recognised in the balance sheet. The company's financial assets include receivables and available-for-sale financial assets, while its financial liabilities include current and non-current liabilities exclusive of deferred tax.

Financial risk management areas
The company monitors and reports on financial risk areas, including movements in exchange rates, interest rates and liquidity. The company does not use financial hedging instruments.

No changes were made to the group's risk exposure or to the way in which risks are monitored compared with 2007.

Risk management – interest rates
The company is exposed to interest rate risk on marketable securities and cash on the asset side and to lease obligations and short-term loans on the liabilities side.

In its management reporting, the company quantifies the interest rate risk by calculating a change in financial results and equity in case of a 50 basis point change in interest rates. Such a change is considered to be within a likely range.

The company's interest rate exposure at 31 December is stated below:

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Cash - demand deposit	72.580	287.067	60.205	265.630
Average interest	2,85%	0,0384	3,27%	4,04%
Cash - deposit	123	45	0	0
Average interest	4,02%	4,02%	4,02%	4,02%
Total cash	**72.703**	**287.112**	**60.205**	**265.630**
Short-term securities	35.295	116.505	35.295	116.505
Average interest	4,00%	3,63%	4,00%	3,63%
Inter-company balances	0	0	118.414	109.453
Average interest	0	0	2,00%	2,00%
In case of a 50 basis point change in nominal interest rates, results and equity would be impacted by	540	2.018	478	1.911

The company's portfolio of securities comprises bonds which are paid in full as at 1 January 2009. The portfolio in the comparison year was with a high level of security and short duration. The duration has been calculated by the company's external professional portfolio managers and ranged from 1.6 to 4.0 at 31 December 2007.

The interest rate exposure is believed to be insignificant compared to the group's overall operations.

Risk management – exchange rates
It is company policy to monitor exchange rate developments and, to the extent possible, to even out income and expenses in the same currency in order to reduce the overall exposure.

The company is primarily exposed to exchange rate fluctuations with respect to two areas. One of these areas represents the strategic investment in subsidiaries, while the other area relates to the company's ongoing short-term activities.

The company's exposure in foreign currencies at 31 December are stated below:

		Group		Parent	
		2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Currency	Payment/expiry				
Receivables:					
GBP	0-12 months	5.684	9.543	542	253
	More than 12 months	0	0	0	0
USD	0-12 months	13.168	13.288	56.449	35.515
	More than 12 months	0	0	0	0
EUR	0-12 months	3.437	7.372	2.938	7.738
	More than 12 months	0	0	0	0
SEK	0-12 months	213	217	213	217
	More than 12 months	0	0	0	0
NOK	0-12 months	133	0	133	0
	More than 12 months	0	0	0	0
CHF	0-12 months	773	1.320	81.898	78.898
	More than 12 months	0	0	0	0
Total receivables		**23.407**	**31.740**	**142.174**	**122.621**
Payables:					
GBP	0-12 months	6.055	4.250	618	2.234
	More than 12 months	0	0	0	0
USD	0-12 months	47.175	10.844	41.002	2.674
	More than 12 months	0	0	0	0
EUR	0-12 months	7.306	78.511	63.254	73.292
	More than 12 months	60.596	1.516	0	0
SEK	0-12 months	105	269	12	44
	More than 12 months	0	0	0	0
CHF	0-12 months	3.672	9.340	0	0
	More than 12 months	0	0	0	0
CAD	0-12 months	5	0	5	0
	More than 12 months	0	0	0	0
NOK	0-12 months	0	12	0	12
	More than 12 months	0	0	0	0
THB	0-12 months	120	0	120	0
	More than 12 months	0	0	0	0
Total payables		**125.034**	**104.742**	**105.011**	**78.256**

GBP, USD, EUR and CHF are the currencies that have the greatest impact on results and equity and, accordingly, these are the currencies reported on in in-house reports to the management. Management believes that the most likely fluctuations in these currencies are restricted to a 10% range. A 10% change upwards or downwards in the exchange rate at 31 December will have the following numerical impact on results and equity figures:

GBP	37	529	8	198
USD	3.401	244	1.545	3.284
EUR	6.446	7.113	6.032	6.555
CHF	290	802	8.190	7.890

The exchange rate exposure is believed to be insignificant compared to the group's overall operations.

Credit risk management

The company's credit risk relates primarily to trade receivables from the sale of Savene®/Totect®. Customers are primarily public institutions or private businesses guaranteed by a public sector enterprise.

Customer payment compliance is carefully monitored, and any late payments are followed up immediately. The company has trade receivables with sales spread among many customers and in many territories, thereby diversifying and reducing the risk exposure. The company finds that there are no material credit risks.

Liquidity risk management

The Board of Directors is ultimately responsible for the company's risk management. The Board of Directors has defined appropriate limits for how the company may procure adequate liquidity in the long term and in the short term to cover its ongoing activities. The company regularly monitors the liquidity requirements through renewed calculation of expected cash flows based on the cash flows realised.

All receivables and payables recognised in the balance sheet fall due within 12 months. The only obligations falling due after 12 months are listed in note 22. Other commitments.

19. LEASE COMMITMENTS

The company and the group have entered into finance lease agreements on automobiles and machines for use in the laboratories. The debt concerning these agremments is recognised int the balance sheet. The future minimum payments and the current value can be specified as follows:

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
Minimum lease payment				
Up to one year	319	540	319	540
One to five years	0	322	0	322
Total	**319**	**862**	**319**	**862**
Financing component	(4)	(48)	(4)	(48)
Total	**315**	**814**	**315**	**814**
Current value of payments				
Up to one year	315	499	315	499
One to five years	0	315	0	315
Total	**315**	**814**	**315**	**814**

An average internal rate of interest of 5 % is applied on recognition.

The carrying amount of lease commitments generally equals fair value.

20. ACCRUALS

The company has signed a license and collaboration agreement concerning research and development of the company´s HDACi portfolio. The license payment is part of a contract comprising multiple components, and the amount received of DKK 30.6 million (USD 5.0 million) is recognised over a period of 36 months from 1 June 2004. The final recognition was made in May 2007.

21. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Included in other long term debt is the liability towards the former shareholders of Apoxis S.A. to pay the expected milestone concerning the APO866 project. The value is the discounted value of the expected milestone payment. The calculation of the discounted value is based on an interest rate of 15% p.a. The nominal value of the commitment is EUR 10.0 million. The carrying value of the liability as at 31 December 2008 amounts to DKK 59.0 million (2007: DKK 66.8 million), which is equivalent to estimated fair value. The carrying value of other financial assets and financial liabilities, is equivalent to the same assets´and liabilities´fair value.

22. OTHER COMMITMENTS

	Group		Parent	
	2008 DKK ' 000	**2007 DKK ' 000**	**2008 DKK ' 000**	**2007 DKK ' 000**
A lease agreement has been concluded with notice of termination of 6 months equivalent to	6.505	3.980	6.505	3.980
Other lease contracts	6.396	17.472	0	12.179
Lease commitment, operational lease	878	799	684	502
Purchase obligations	820	1.521	492	915
Total	**14.599**	**23.772**	**7.681**	**17.576**
Other obligations are due as follows:				
Up to one year	10.374	10.411	7.337	7.488
One to five years	4.225	13.361	344	10.088
More than five years	0	0	0	0
Total	**14.599**	**23.772**	**7.681**	**17.576**

Inflammasome-milestone:

If TopoTarget/Apoxis sell or outlicens any part of researh and development project relating to, or derived from, Inflammasome, TopoTarget has to pay the sellers a share of the value of the received amount.
The commitment is included in the balance sheet as at 31 December 2008 with the value DKK 0.

23. RELATED PARTIES

Related parties include the following:

Group and Parent:

Shareholders
BankInvest, Copenhagen, cf note 24
2008 No transactions
2007 Warrants granted indirectly through board member Jesper Zeuthen, 15,000 granted with warrants

HealthCap, Stockholm, cf note 24
2008 No transactions
2007 No transactions

The company's Board of directors and senior management
2008 Renumeration and salaries, cf. note 5

2008 Shares and Warrants, see the table in "Corporate Governance" and note 16
2007 Renumeration and salaries, cf. note 5

2007 Shares and Warrants, see the table in "Corporate Governance" and note 16

Other related paties

2008 Related parties to the board of directors and the executive management have received remuneration of TDKK 1,062 and warrants of TDKK 118.

2007 Related parties to the board of directors and the executive management have received remuneration of TDKK 1,269 and warrants of TDKK 70.

For the parent company:
The subsidiary TopoTarget UK Limited
2008 Intra-group balance of TDKK (41) and interest on the intra-group balance of TDKK 313
2007 Intra-group balance of TDKK 51 and interest on the intra-group balance of TDKK 1,250

The subsidiary TopoTarget Germany AG
2008 Intra-group balance of TDKK (1,716) and interest on the intra-group balance of TDKK (32)
2007 Intra-group balance of TDKK 640 and interest on the intra-group balance of TDKK 63

The subsidiary TopoTarget USA, Inc.
2008 Intra-group balance of TDKK 48,746 and interest on the intra-group balance of TDKK 2,282
2007 Intra-group balance of TDKK 29,722 and interest on the intra-group balance of TDKK 692

The subsidiary TopoTarget Schwitzerland S.A.
2008 Intra-group balance of TDKK 116,964 and interest on the intra-group balance of TDKK 1,936
2007 Intra-group balance of TDKK 78,897 and interest on the intra-group balance of TDKK 559

The subsidiary TopoTarget Netherlands B.V.
2008 Intra-group balance of TDKK (370) and interest on the intra-group balance of TDKK 0

24. OWNERSHIP

The following shareholders hold more than 5 % of the company's share capital:

	Ownership
- BankInvest, Copenhagen *	18,19%
- HealthCap, Stockholm **	13,18%
- PKA A/S, Danske Noterede Aktier I/S, Copenhagen	5,12%

* The BankInvest fonds, that hold shares in the company are, BI Biomedicinsk Udvikling II A/S, BI Biomedicinsk Venture III P/S, K/S BI Biomedical Venture Annex II og K/S BI Biomedical Venture Annex III-

** The HealthCap fonds that hold Shares in the Company are HealthCap 1999 KB, HealthCap CoInvest KB, HealthCap KB, HealthCap 1999 GbR, OFCO Club, OFCO Club Annex Fund I-II, HealthCap Annex Fund I-II KB, HealthCap III Sidefund KB, OFCO Club III Sidefund, HealthCap iV LP, HealthCap IV BisLP, HealthCap IV KB, OFCO Club IV.

25. COMPANY ACQUISITION

There were no company acquisitions in 2008.

On 27 June 2007, TopoTarget acquired 100 % of the share capital of Apoxis S.A. The company is involved in the discovery and development of novel drugs for the treatment of cancer and inflammatory disorders. Apoxis has focused its internal research and develoment effort on the design of human recombinant proteins using its MegaLigand™ proprietary protein research technology platform, and on evaluating the potential use of MegaLigand™-based products for the treatment of human diseases, including cancer. The purchase price for the acquisiton is payable in three separate tranches, the secon and third of which are contingent upon the occurence of certain specified events as further described below. The tranches are as follows:

1. The equivalent in shares of DKK 107.9 million (EUR 14.5 million), payable by the issue of consideration shares on 27 June 2007
2. APO866 milestone
3. Inflammasone milestone

APO866 milestone

TopoTarget will pay the vendors the APO866 milestone (in cash or, at TopoTarget's option, TopoTarget shares calculated by reference to the share price on the business day immediately following the day on which the APO866 milestone is achieved). If:

1. APO866 meets certain specified clinical endpoints in a Phase II clinical trial, the APO866 milestone shall be DKK 74.4 million (EUR 10.0 million); or if
2. Astellas exercises its by-back option under the agreement dated 27 October 2005 between Astellas and Apoxis (the "Astellas Agreement"), the APO866 milestone shall be DKK 74.4 million (EUR 10.0 mio.) plus an amount equal to 50 % of the amount by which the amount received from Astellas in respect of the exercise thereof exceeds DKK 74.4 million (EUR 10.0 million) (the "Excess")

Astellas has retained a "license-back" option in respect of each product in selected indications, on reasonable terms to be agreed within certain limits after good faith negotiations. The option is to be exercised by Astellas no later than three months after receiving full reports from Apoxis on both the CTCL and melanoma Phase II clinical trials. In addition, Astellas retains (i) the right, when executing its option, to buy-back all the licensed rights subject to good faith negotiations and reaching agreement with Apoxis on reasonable terms to be agreed within certain pre-agreed limits; and (ii) an exclusive "right of first negotiation" should Apoxis decide to out-license a product for any indication at any time.

Inflammasone milestone

On the sale or licence by TopoTarget/Apoxis of any rights in respect of, or any products derivfed from Inflammasome, TopoTarget will pay the vendors a proportion of the received amount.

The transaction has been recognised applying the purchase method.

The net assets acquired in the transaction are as follows:

	Carrying amount net assets 27 June 2007 DKK ' 000	**Fair value adjustments DKK ' 000**	**Fair value DKK ' 000**
Rights	4.952	194.863	199.815
Other non-current assets	5.301	0	5.301
Receivables	3.789	0	3.789
Receivables and marketable securities	27.585	0	27.585
Deferred tax liabilities	0	(45.793)	(45.793)
	(16.558)	0	(16.558)
Total	**25.069**	**149.070**	**174.139**
Total purchase price			174.139
Off which:			
- Issuance of shares at acquisition			(107.941)
- Discounted value of milestone payment			(61.740)
Paid in cash (acquisition cost)			4.458
Paid in cash (acquisition cost)			(4.458)
Cash and securities acquired			27.585
Net cash in connection with acquisition (payment)			**23.127**

On the total consideration of, TDKK 174,139, TDKK 100,380 has been recognised as investments in subsidiaries and TDKK 73,760 has been recognised as receivables from subsidiaries, as TopoTarget took over the seller's subordinated loan capital in Apoxis in connection with the company acquisiton.

The discounted value of the APO866 milestone in connection with the positive completion of the Phase II studies has been determined using a calculation factor of 15 % p.a. The Inflammasone milestone has been fixed at DKK nil.

The number of consideration shares issued at the acquisition was 3,598,030 at a price of DKK 30, which is the same price as that used in the cash issue without preemptive rights completed on 21 June 2007.

Apoxis S.A. reported a loss of DKK 26,6 million from the takeover date until the balance sheet date.

Pro forma recogning of Apoxis S.A. in the consolidated financial statements from 1 January 2007 would result in a loss for the Group of DKK 289.0 mio.

In determining the pro forma results if Apoxis S.A. had been acquired 1 January 2007, TopoTarget's management has:

* calculated depreciation and amortisation of acquired rights and operating equipment on the basis of fair values in the initial recognition for the combined enterprise and note based on the carrying amounts in the financial statements from before the business combination; and

*recognised financing costs concerning the discounted value of milestone payments.

26. WORKING CAPITAL CHANGES

	Group		Parent	
	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Changes in current assets	7.165	(7.738)	3.491	(8.157)
Changes in current liabilities	2.025	(4.697)	7.990	(1.422)
Total	**9.191**	**(12.435)**	**11.481**	**(9.579)**
Changes in non-current liabilities	0	(364)	0	0
Total	**9.191**	**(12.799)**	**11.481**	**(9.579)**

27. NON-CASH TRANSACTIONS

On 27 June 2007, tbhe company issued 3,598,030 shares at a combined market value of TDKK 107,941 in connection with the acquisition of TopoTarget

The company has on 7 May 2008 issued 5,000,000 shares at a total value of TDKK 55,500 in connection with the repurchase of the global rights to belinostat.

28. PROCEEDS FROM CAPITAL INCREASES

On 30 March 2007, TopoTarget issued 21,600 new shares in connection with warrantholders exercising warrants.
The cash proceeds amounted to DKK 521,424.
On 27 June 2007, TopoTarget issued 12,000,000 new shares in connection with a share issue.
The cash proceeds after deduction of costs related to the capital increase amounted to DKK 331,980,977.
No cash proceeds in 2008.

29. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

	Group		Parent	
	2008 DKK ' 000	2007 DKK ' 000	2008 DKK ' 000	2007 DKK ' 000
Deloitte	520	547	400	380
Ernst & Young	0	112	0	0
Total audit	**520**	**659**	**400**	**380**
Deloitte	1.733	2.815	1.525	2.650
Total advice and assistance	**1.733**	**2.815**	**1.525**	**2.650**

A separate audit of the TopoTarget Germany AG. Has not been carried through as the company not is subject to mandatory audit.
A separate audit of the TopoTarget USA, Inc. has not been carried through as the company not is subject to mandatory audit.
As the operations in the Dutch company were not material to the consolidated financial statements in 2008, this company has not been audited.
The Swiss company has been reviewed by the auditors of the parent company.